ASTD-Maryland Articles

Article #2
"Weathering The Unexpected Storm – Financial Survival During Sudden Transition"

By Angeline M. Huffman, MBA
The Financial Freedom Coach®

This is the second in a two-article series written to provide trainers strategies on financially surviving a career transition, better known as layoff. Last quarter I discussed financial strategies on preparing to survive a transitioning period using the Financial Freedom Cycle®. This quarter's issue follows up with additional strategies on surviving a "transition" that hits you unprepared.

Okay, so you've been laid-off. Worse yet, you did not have enough time to prepare for the layoff as strategized in last quarter's issue. Your emergency fund is not yet large enough to carry you through one month, let alone the six months you hear it is taking other trainers to replace their jobs. Also, you are not yet debt free. So what do you do now? Panic!? Absolutely not! Panic is the worse thing you can do. Panic causes you to make unwise financial decisions and to deny the layoff by continuing your pre-layoff level of spending. Even if you do not yet have an adequate emergency fund, or still have a hefty credit card debt load, there are several strategies you can apply to handle this transition.

First, determine how you are now spending your money and cut back to the bare necessities. All too often individuals create more financial challenges for themselves by trying to maintain their pre-layoff level of spending. They are either denying the reality, don't want anyone to notice they are out of work, or don't want their families to suffer a reduction in their standard of living. However this strategy is harmful. Denial prevents you from acting proactively to replace your income. The very people who you don't want to know you are out of work may be the very ones who can pass onto you a great job lead. Remember, a layoff can happen to anyone at anytime and no longer carries the stigma it once did. Reducing your spending to the bare necessities buys you more time to weather this time of career transitioning.

Next, *cut up* your credit cards. This may sound harsh, but you do not need the temptation to charge to maintain your pre-transition standard of living. Once the income is gone, your only option is to use those credit cards. The debt that builds by using credit during transition lasts much longer after you have replaced your job then it did to create the debt.

Then, contact your current creditors and tell them of your situation. Don't avoid your creditors. Most creditors will work with you so face them honestly. Creditors want to get paid and will make arrangements with you to help you do so, especially credit card companies. Credit card companies know that if you file for bankruptcy, they will get nothing. Making arrangements with you means, not only do they get paid, but that they will probably make more profit in interest payments from you in the long term. Ask for a supervisor if the first person at the credit company's call center is not helpful. Don't give up until you talk to someone who has the authority to work out payments with you. Let them know what you can ***realistically pay*** and then ***follow through***.

If you have difficulty getting your creditors to work with you, contact a reputable consumer credit counseling agency. But be careful! Very carefully read anything you sign with a consumer credit counseling agency and then pay attention to how they are using your money, month-by-month and payment-by-payment. Confirm with your creditors that they are receiving payment from the agency. Unfortunately credit counseling has become a huge business opportunity drawing in many who are not looking out for your best interests. Contact www.nfcc.org for more information.

Don't consolidate your debt. Work with your creditors and then follow-through on what you agreed. Consolidating your debt stretches your debt over a longer time period and ends up costing you much more in the end. Debt consolidation also reflects poorly on your credit rating, no matter what the creditor tells you. And, above all, don't declare bankruptcy. Yes, it is very easy to declare bankruptcy today. It has lost the taint it once had and many 'advisors' will recommend doing so. However, a bankruptcy will remain on your credit report for at least 7 years. This is not the time to let anything affect your credit rating since many employers now check the credit reports of prospective employees.

Learn about your debtor rights. Find out more about the Federal Fair Credit Reporting Act (1977) and the Federal Fair Debt Collection Practices Act (1977) by contacting the Consumer Information Center (Pueblo, CO 81002, www.pueblo.gsa.gov) for their publications "Consumer Handbook to Credit Protection Laws," "Fair Credit Reporting," and "Fair Debt Collection."

Finally, file for unemployment ASAP and learn how the system works. Contact the Maryland Department of Labor, Licensing and Regulation at www.dllr.state.md.us/employment/ui/. Additionally, find part-time work. Even babysitting evenings and weekends or performing yard work for others can help to tide you over until you find your new career.

Need more information or help on the stages of the Financial Freedom Cycle® or financially weathering a career transition? Would you like to bring a workshop to your organization or group on any for the financial concepts presented in this article? Then contact Angie at Huffman Financial $olutions: 410-937-2323 or finfreecoach@aol.com.

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Angeline M. Huffman, MBA
The Financial Freedom Coach

Phone: **410-937-2323**
Email: finfreecoach@aol.com
P. O. Box 43548
Nottingham, MD 21236-0548