



By: John Schmolli - December 5, 2015

Getting laid off can be an overwhelming experience. You're likely dealing with a mix of emotions, from relief to fear to frustration, and more. Whether you have warning or not, a layoff is almost always unwelcome news.

Outside of the obvious need to begin a job search, you also have the financial impact of unemployment. In some instances, a severance package can help lighten the blow. Unless you have a fully stocked emergency fund, weathering the potential financial storm heading your way requires action on everything from filing for unemployment to slashing expenses.

Here are nine actions to take today if you've been laid off (to read all nine visit [www.gobankingrates.com](http://www.gobankingrates.com)).

### Apply for Unemployment

The first step you need to take after being laid off is to apply for unemployment benefits. It took seven or more months for nearly 40 percent of those laid off to find a new job, according to a 2014 Rutgers study. There is good reason to apply as soon as you can. "Benefits can take weeks to process, so apply as soon as possible. Most states let you file a claim by phone or online," said Carla Dearing, founding CEO of Sum180, a financial planning service.

Unemployment filing requirements vary by state; you will want to research what your state expects. "For state-specific instructions on how to apply for unemployment, go to [CareerOneStop.org](http://CareerOneStop.org)," said Dearing.

### Make an Emergency Budget

When you're laid off, you need to take a serious look at your budget for areas to cut back. You don't know how long you'll be without work, and your primary concern should be caring for your absolute needs. Most, if not all, luxuries should be cut.

"If a sudden job loss occurs and there's no plan in place, sit down and look at your typical spending for the month," said Jacob Wade, personal finance expert and founder of iHeartBudgets. "Write down how much you spend on absolute necessities — food, shelter, utilities, clothing — and figure out how much money, minimum, you need to survive each month. This is now your 'Emergency Budget' until your situation changes.

This step will likely feel at least a little uncomfortable because it requires sacrifice. This can be an emotional time, and it's important to remember that there is a purpose to the sacrifice.

"The drawbacks of having to cut back financially after being laid off is your emotions," said Dolph Janis, founder and owner of Clear Income Strategies Group. "It's hard enough to stomach being laid off, but now you have to cut out all of the things that make you happy. Realize that you're just protecting yourself."

### Cut Non-Essential Bills

The first financial change to make after starting your emergency budget is to cut cable and other non-essential bills. The average cable bill is nearly \$100 per month, according to a survey by Leichtman Research Group. That \$100 can be used more effectively in other areas of your budget. If you're currently under contract, call your cable provider to ask to be put on the lowest-priced package possible, as you can still save a significant amount of money each month.

The next candidate for cutting is your cellphone bill, especially if it's high. The average monthly bill among the four major carriers is between \$120-\$150 per month, according to CBS News. If you're not under contract, you can switch to a non-contract plan with a discount carrier for \$40 or less per month, on average. You can also call to reduce your bill if you're still under contract.

Other non-essential bills to cut are gym memberships and other subscription/membership arrangements. You might even be able to lower your energy bill by calling to ask about hardship programs.

### Change Transportation Methods

Your car can be a source of significant expense. When you consider insurance, gas and potential parking costs, it can add up quickly. You're legally required to carry some sort of auto insurance, though you do have options to reduce your cost.

One such option is unregistering and storing your car, and reducing the insurance to a plan that will cover it against fire or theft while it's stored. To be certain if you qualify for such coverage, reach out to your insurance company, as well as the department of motor vehicles to see what your state law requires.

"My partner was recently laid off from his work... One of the things we did that saved a ton of money was to put my car on parking insurance while we shared his car," said Jaymee Sison, founder of the \$mart Woman Blog. "His insurance is cheaper than mine, so it only made sense. I work at a hospital, too, and parking there was costing me upwards of \$150 per month. I put my parking pass on hold, and my partner has been driving me to work. It adds up to about \$400 in savings a month for us."

You can also find significant savings on gas costs. The average American household will spend almost \$2,000 on gas in 2015, according to the U.S. Energy Information Administration. Find alternative transportation methods, such as biking. "I started biking everywhere as soon as I was laid off. It helped save on gas and kept my energy level high while I was applying for new jobs," said Kate Dore, personal finance expert and founder of the Cashville Skyline website.

### Cut Retirement Savings

Saving money for retirement is a great thing to do, although not

when you're unemployed. You are facing a financial emergency, and your focus should be on the present.

"Stop contributing to your retirement accounts, unless it's a Roth IRA," said Jason Hull, a CFP and the CTO of myFinancialAnswers. "If you contribute to a retirement account now and need the money in three months, you'll pay an early withdrawal penalty. The only one that doesn't have that restriction is a Roth IRA, because you can withdraw contributions tax- and penalty-free."

The last thing you want is to contribute to retirement, only to need those funds in a few months and incur the 10 percent withdrawal penalty and taxes. Focus on getting through your time of unemployment, and save money for retirement when you get your new job.

### Modify Your Mortgage

Owning a home is the largest monthly expense for most Americans. The last thing you want is to lose your home because you can't make your monthly mortgage payments. In the case of unemployment, you can attempt to modify your mortgage through the government's Making Home Affordable program. The requirements vary based on your given situation, but can provide a way to save significant money each month.

"I applied and was approved after providing all the supporting documentation of my hardship," said Thomas Nitzsche, media relations manager at ClearPoint Credit Counseling Solutions. "The result was an interest rate drop from 5.50% to 2.10% for five years, and about a \$300 per month payment drop. Because of my on-time payments, I also received \$1,000 every year for five years in principal reduction incentives, and then another \$5,000 at the sixth year. Because of this principal reduction, I was also able to recast the mortgage (at no cost), which dropped the payment again about \$60 per month."

If mortgage reduction isn't possible, you can also consider renting out a room of your house or apartment to save money each month. Be sure to check first with any HOA or rental requirements before making this decision.

### Lower Your Debt Payments

Debt, like unemployment, is a financial emergency. It's great if you can continue to make debt payments, though that might not always be possible. Regardless of the situation, contact creditors before you have any payment problems.

You might consider working with a nonprofit credit-counseling agency to manage your debt through a debt management plan (DMP). "On average, a DMP reduces credit card interest rates by about half, and the total monthly payment by about 20 percent," said Nitzsche.

Facing unemployment is a stressful time, but wise decision-making can help get you through it. By making some of these changes, you can better weather the storm and set yourself up for success.



Randall "Dolph" Janis, founder and owner of Clear Income Strategies Group, has been in the retirement services industry for more than 11 years, building a strong network of satisfied clients in Charlotte, N.C. and surrounding areas. Dolph's goal is to provide fulfillment for the visions, hopes and dreams from baby boomers to seniors by providing common sense solutions for their retirement needs.

To contact Dolph please call (704) 919-0149 or visit [www.clearincomeforlife.com](http://www.clearincomeforlife.com).