

What to Do If Your Income Is Interrupted or Lost Unexpectedly: 5 Financial Steps to Take If You Can't Work

As COVID-19 spreads in the U.S., people all over the country are beginning to feel its financial ripple effect. For the first time since the 1960s, people potentially exposed to the coronavirus are being asked to quarantine themselves. Businesses, schools, childcare centers and other institutions are taking steps such as closing offices or transitioning to remote work to protect the health and safety of their employees and communities.

For most of us, and especially for the 32 million workers who do not have paid sick time, the idea of missing work because of an illness or a shutdown is financially daunting. What do you do if you are suddenly and unexpectedly unable to work and you have no income? These five steps will help you stay as financially healthy as possible if you experience an interruption or loss of income.

5 Things to Do If Your Income Is Interrupted

1 – Assess Your Budget and Prioritize Your Expenses

You will want to know as much as you can about your budget and expenses. If you don't have a budget, you can start planning for your monthly expenses by using this worksheet.

Identify and total up all income sources and assets such as savings that may be able to get you through until you can resume working or replace your income. Review your living expenses and eliminate the things you can live without. Reduce expenses in the "essentials" category as much as you can.

You may be able to save money by doing things like planning your meals to save money at the grocery store, or reducing your electric bill by cutting energy usage

You may also be able to save money on your debt by finding options to lower interest rates or reduce monthly payments

If you are feeling stressed by debt, exploring options such as debt management plans or working with a credit counselor could help you reduce monthly payments and reduce the overall cost of your debt

If you are concerned about the financial impact of an income loss and you are currently working, get ahead as much as you can by building up your emergency savings.

2 - Find Out if Your Employer Has Remote Working Options, Sick Leave Benefits or Other Supporting Services

If you are able to remain in the income game, even if you can't physically go to a job site, there's a financial upside to that. If you are able (healthy enough and work in a field where remote work is possible), propose a work-from-home solution or ask about remote working policies.

If you have vacation time, paid time off, or paid sick leave, use those benefits to sustain your income during an interruption to your ability to work. If you do not have any time left or your company does not offer those benefits:

- Find out if your situation is covered by short-term disability insurance
- Ask about emergency leave policies
- Ask about Employee Assistance Programs (EAPs) or other benefits to find out if your employer can connect you with resources for mental and physical health, financial wellness and other surrounding supportive services

The Center for Disease Control and Prevention (CDC) and other government organizations are issuing guidance to businesses and employers that recommend flexible sick leave policies. Government leaders are urging companies to provide paid leave and/or emergency leave, to encourage and enable people who can't afford to miss a paycheck to stay home if they are ill. Find out if your employer has developed a policy that provides compensation for sick time or emergency leave.

3 - Draw on Your Assets (with a Plan)

You may need to spend savings or take on short-term debt. Create a plan for using those assets and refilling your coffers once you are able to replace income or resume working.

Look to your "liquid" assets first, drawing on cash savings accounts and non-retirement investments. Working with your budget, determine how much you will need to draw to cover your basic expenses. Make a plan to pay back your savings when your income is resumed.

Consider whether credit is a feasible option. Taking on credit card debt or personal loan debt will come with interest rates, fees and a new monthly payment. Look for low interest rates, low fees and favorable terms; and plan for what a new monthly payment will mean to your budget. Be ready with a payback plan in your budget, if you do decide to use credit to get you through an unexpected income loss. The faster you pay off interest-bearing debt, the less you will spend on interest and fees.

If you have retirement savings, you may be able to borrow against them or cash them out in times of financial hardship. There may be penalties up to 10% for cashing out a 401K before retirement age, and you may have to pay income taxes on any portion that you cash out. Please consult with a tax advisor.

Treat your use of your savings and other assets as a “loan” to yourself. Write a repayment plan into your budget as soon as you can replace income.

4 - If You Have Debt, Talk to Your Creditors

If you are worried about paying your bills during this time, talk to your creditors to find out if they have any options to help you. Though there are not currently any concrete hardship programs in place, financial institutions are being urged to meet the needs of affected people and communities. Some creditors may be able to extend your due date, waive late fees or offer a different payment plan option. Take a few moments to prepare before you call so you can clearly communicate your needs:

- Call before your payment is due if possible
- Be ready to share why you are unable to pay, and how long you expect this to be the case
- Determine what you can reasonably pay during this time of difficulty

5 - Talk to a Financial Counselor to Help You Prioritize and Make a Plan for Managing Your Finances

Whether you are experiencing a temporary disruption to your paycheck, or a longer-term income loss from layoff or job loss, a financial counselor can help you figure out your plan. We will walk through your whole financial picture and help you identify options that can relieve stress and make it easier to bounce back. We will offer assistance to make a budget, decide what to prioritize, and create a plan. At GreenPath, financial counseling is free. Call Now: 877-337-3399

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