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## Laid Off? No New Job? How Bad Can It Get?

By ANNA PRIOR

Yes, times are tough. The big banks are on life support. Home prices are in the pits. The stock market's tanked. Unemployment's way, way up.

And ... uh-oh. How are you doing? What about your home? Your investments? *Your* job?

How safe is it? What's the worst that can happen to you?

We put that question to the expert -- Joshua Piven, author of the best-selling "Worst-Case Scenario Survival Handbook" series. His tongue-in-cheek answer is not pretty: "You lose your job, you run out of savings or a safety net, have to sell [your] home, it's a down market and you can't sell your house, you move, pull the kids out of school, it's not easy to get another job and your whole lifestyle has to change.

"Then there's homelessness, maybe spiraling alcoholism, and then living on the side of the train tracks."

Ugh. More people *are* facing an extended period of joblessness and the potential financial difficulties that go along with it.

Unemployment hit 7.6% last month, with 11.6 million people out of work, and the number of people experiencing joblessness for more than six months has continued to increase, growing to more than 2.6 million in January, according to the Bureau of Labor Statistics.

As jobless rates go up, duration usually follows, says Katharine Abraham, a University of Maryland economist.

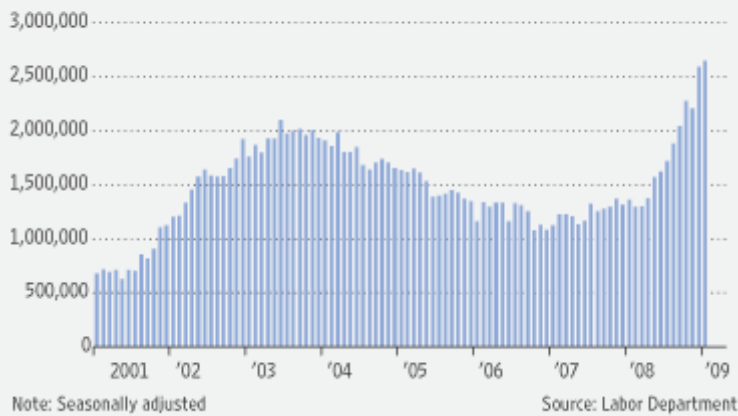
With the Federal Reserve forecasting that the unemployment rate could hit 8.8% this year, the number of people unemployed for longer stretches of time is expected to increase as well.



Tim Foley

## Worst-Case Scenario

The number of people who have been unemployed for 27 weeks or more continues to rise.



Conventional wisdom has long called for you to stash away up to six months of living expenses to carry you through a financial emergency or job loss. But with more job hunts lasting longer than half a year, backup funds can dwindle, and you will have to make more and more tough financial choices.

"It may be painful to think about bad things happening, but you have to make sure you are budgeting appropriately and living below your means," says Liz Davidson, CEO of Financial Finesse, a financial-education firm.

Here are some things to keep in mind, starting now:

### *While You're Working*

- Double that emergency fund. One way to do this is by making minimum payments on your credit cards. That runs counter to the usual advice, but for those worried about losing a job, these aren't usual times. Take the remaining money you would use to pay off the whole bill and stash it in a money-market or high-interest savings account, suggests June Walbert, a financial planner with USAA, which mainly serves military members and their families.
- Consider downsizing your living quarters. For example, after business began to slow at Saxon Anderson's teeth-whitening kiosk at a Los Angeles area mall, the 26-year-old downgraded from a nice single apartment to a house with five roommates.
- Since it's easier to get credit while you're employed, look into opening another credit card or a home-equity line of credit as a precaution in case money becomes hard to access if you are unemployed. But use this credit only as a last resort.

### ***When the Word Comes Down***

- File for unemployment benefits immediately, says Linda Robertson, a senior financial planner with Financial Finesse. A severance package from your employer could delay your eligibility, but "so many of the unemployment offices are overwhelmed right now and are behind," she says.
- Call your landlord or lender if your layoff results in immediate financial instability. Ask about deferred-payment plans for rent or find out if your lender offers programs to restructure any loans, says Ms. Robertson. If you're financially stable, you may still want to alert your landlord or lender to your employment situation in case you have trouble making future payments.
- Look into all your health-insurance options. The government made some modifications to the federal COBRA law, which allows people to extend their previous coverage, but know that this isn't always the most affordable plan. Young and healthy? A high-deductible plan might still be more affordable.

### ***The First Six Months***

- Develop a bare-bones budget -- and stick to it -- so your severance or emergency funds will last as long as possible.
- Prioritize your debts. When the bills come, pay the big ones -- such as rent or mortgage, utilities and car payments -- before making minimum payments on your credit cards, suggests Ms. Robertson.
- If money starts getting tight, consider further downsizing your home or selling any nonessential cars, electronics, jewelry or other valuables, says Dan Houston, president of retirement and investor services at Principal Financial Group.

### ***Six Months and Beyond***

- De-invest. Start by looking for securities you might liquidate in nonretirement accounts. Potential tax write-offs could help make the losses easier to stomach. "If they've got a capital loss, they can write that off against any gains," says Ms. Robertson. "Or they can write off up to \$3,000 of a capital loss against any other income."
- Then tap your Roth IRA. Money grows tax-free in these retirement accounts, and you can usually withdraw contributions with no tax liability. "That should be one of your measures of last resort, because we want that money to remain in that tax shelter," says Ms. Walbert.
- Keep your hands off your traditional IRA or 401(k) until the very last moment. "You'll not only have to pay taxes on those withdrawals, but you'll also pay penalties," says Mr. Houston. "You'll lose all of the compounding interest and yield. Plus, the probability of you replacing those dollars down the road is pretty remote, since the tendency for most is to spend instead of replace."

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