

Preparing financially for a job loss

We often welcome a fresh start with open arms and we've all heard the expression that a change is as good as a holiday. But if a new beginning comes unexpectedly in the form of a retrenchment or a job loss, it can turn your world upside down. Fortunately, there are checks and balances you can put in place to minimise the impact.



Nitesh Patel

Nitesh Patel, Head of Customer Financial Solutions, Personal Banking at Standard Bank, says, "The most important element of preparing for a job loss is being fully aware of the reality of your situation. Usually, circumstances such as these can be identified well in advance - signs include the company going through tough times, or you having lost interest in your work or a personality clash with someone in authority. Whatever the cause, being a few steps ahead will make the event less challenging and can even turn it into an opportunity."

Prevention is always better than cure, so the first thing you need to do if you think you may be at risk is to cut all unnecessary expenses and build up an emergency fund. Consider putting this in place even if your job is not under threat. Having three to six months' income in the bank provides a safety net and gives you peace of mind, decreasing the natural anxiety you may feel when searching for a new job.

Organise your personal finances down to the last minute detail. If you feel you will be unable to fulfil financial commitments such as your bond, car loan or credit card payments, negotiate new terms with your creditors. It is better to be upfront and agree to pay a reduced amount than to fall behind with your payments.

Do not rush into any major financial decisions; you will need to be conservative as finding another suitable position can take up to six months. Revise your budget in accordance with your changed circumstances. Work out how much it will cost to maintain your home and scale down your lifestyle. Decide on the expenses you are willing to cut and make sure that the family are on the same page. Everyone will have to work together until things are more settled.

"Talking to a financial planner or your bank consultant will give you some clarity and they can help you put investment and

savings contributions on hold until you recover. Now is not the time to cut important risk products, but you could look at getting more cost-effective solutions in the short-term," says Patel.

"If you had company benefits, you will get cash back from a pension or provident plan and perhaps a retrenchment package. What you do with this money will have a big impact on your future wealth, especially if you have been working at the company for more than five years."

Many individuals see a pension pay out and retrenchment package as a windfall, but spending it will compromise your ability to retire down the road.

"Ideally, you should reinvest your pay out. If you spend five years' of retirement savings now, you will be adding five years on to the time you need to work to replace the funds, and you will be losing out on the compound growth of this money."

Network while job-hunting by spreading the word to ex-colleagues, friends, family and anyone you meet, and let them know that you are in the market for a new job. Many a job has been found when socialising or while at an informal gathering. Before you send off your qualifications, do some research as to what recruiters and prospective employers look for when going through CVs.

Your job now is to find a job. Update your CV, gather your accolades and create something special to offer a new employer. The internet is full of great ideas to help you appear more appealing than other candidates. To add to your chances of finding new employment, consider updating your existing skills or adding new ones by taking courses related to your line of work.

"You can't do anything about losing a job, but you can do a lot about the way you approach things going forward," Mr Patel says. "Perhaps the biggest lesson you will learn is how little you can get by on each month if you practise living frugally. When you finally get your new job, don't go back to your old habits but keep expenses low and redirect your extra cash into savings. This will put a really positive spin on a tough, yet manageable, event."

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