https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-surviving-unemployment/article_52dc492a-040c-5db7-a121-9a7d1f07d339.html

Marc A. Hebert's 'Money $ense': Surviving unemployment

By Marc A. Hebert
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JOB LOSS is difficult on many levels. One is the financial impact. Spending less is one way to mitigate the impact of job loss but accomplishing this is not easy to do, to say the least.

Planning for unemployment is definitely tough, especially in the era of COVID-19. The big unknown is how long a period of unemployment could last. Being out of work could continue for a few short weeks or it could last for months. To be conservative, it is best to prepare for at least six to 12 months of unemployment.

Expect life to change. It’s time to assess how you are going to live. If you anticipate that your unemployment could be brief, you might want to spend less on something like ordering takeout. If you feel your time out of work might be longer, you will need to take additional measures.

You will need to review your living expenses and financial situation. This could involve going back to the basics and evaluating areas to save money that you wouldn’t have otherwise considered. For example, is moving an option? Or selling an unused car or motorcycle? Do you need the entire cell phone service? Can you use a low-cost streaming service instead of cable?

One important expense is health care. Review the options available and decide the best path.

After you have given these things some thought, boil it all down and design a budget. A budget is a list of all your incomes and expenses. Consider it your spending plan.

Are there ways you could increase your income? Are you receiving unemployment benefits? Is there any severance pay available? How long will your savings last? Do you have credit insurance? Can you get a part-time job? Is selling household items an option, such as through a yard sale? Keep items you will need after you are employed. It doesn’t make sense to sell the lawn mower for $50 only to have to buy one after you have a job for $500. Can you borrow from your life insurance policy? Will your relatives help out? You might have more options for raising your income than you think.

As a last resort, you might consider tapping into your home equity line of credit. There will be interest charges, so be sure to plan for this. Make sure you can afford the interest as well as a monthly payment. Remember, these loans are tied to your home — if you cannot make the payments, you may jeopardize your continued ownership of the residence.

The other item of last resort is borrowing from your retirement plans. The CARES Act may allow you to borrow from your 401(k) or IRA if you make a coronavirus-related distribution. For these distributions, you have up to three years to repay the money into your account to avoid tax consequences. You will need to check with your plan administrator for the details. If you do decide to go this route, consider the fact that you are taking funds away from your retirement goals — at least temporarily. Be sure to discuss the tax ramifications with your tax adviser — especially those related to an outcome in which you cannot pay back the balance. You could also examine taking a 401(k) loan and paying it back through payroll contributions.

If you are working, consider adjusting your tax withholding so that you have greater take home pay. Do this carefully. You don't want to end up owing income taxes at the end of the year if you don't withhold enough.

Conducting this review isn't a one-time look at your finances. You will want to review these areas periodically during the time of unemployment and once you are again employed. Be flexible. It might be the chance to get your entire financial picture on the right track.

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