

Bouncing back from a job loss

Get your family involved, renegotiate loans and retool yourself

Kiran Telang March 01, 2014 Last Updated at 22:28 IST



Atharva Kumar was worried. His company was downsizing and he had just completed the unenviable task of having to hand over the pink slips to the large team that reported to him. Seeing the shock on their faces, Kumar was worried that the same could happen to him. These were bright young people, whom he had helped recruit a couple of years back. He had seen them join with vast ambition and start building their lives on the promise of a bright future with the company. They had booked homes, started families and were highly dependent on the income from the jobs. Consequently, he decided to think it through and prepare for such

an eventuality.

Sudden job losses are no longer uncommon. Recently, several IBM employees were confronted with this. Depending on the industry you work in, your own position in the company, and your set of skills, you should be able to fairly assess your situation - and the probability of being pink-slipped. In such a situation you need to seek out alternatives. Which companies or industries are likely to absorb you? How soon do you estimate you would be able to find another job? If you are in a niche sector, it might be a little difficult to find suitable openings, especially at senior levels.

Contingency reserve

Based on factors mentioned above, maintain a minimum of three months of expenses as a contingency reserve. Depending on your situation, you may even need to enhance this for up to a year. These expenses should include your domestic expenses, EMIs, premiums of your term plans (other insurance plans can be revived on payment of penalty; term plans might not be revived or would require medical re-tests), health insurance premiums and school fees. Other than emergencies, these funds should not be touched. If a certain amount is utilised, it should be replaced at the earliest. The contingency reserve should be maintained in easily accessible forms such as balances in savings accounts, fixed deposits, debt mutual funds, etc.

Sensible Spending

In good times it is easy to ignore the amounts spent on maintaining a lavish lifestyle. In bad times, though, you'd wish that amount had been saved. Examine your expense patterns. A weekend outing in most metropolises might cost a couple of thousands. Curtailing this itself could furnish you with healthy savings. For EMI-based assets such as property, cars, white goods, etc, do not stretch your budget. People factor in higher future income - and enlarge their budgets. This can backfire badly if a pay hike is denied or a job is lost.

Managing debt

Being debt free in the context of a job loss would turn out to be a huge relief. Get rid of debt that is eating into your cashflows. Opt for retiring debt which does not provide any tax benefits: car loans or personal loans. To complete this, look to redeem funds in unproductive assets. Check out the option of moving your home loan to a lender with lower interest rates, or bargain with your lender to lower

your rate of interest. When already struck by the loss of a job, do not rush to pay off loans by liquidating assets. This would only dry up liquidity, which is essential for you till you are once more employed.

Streams of income

Save money and invest it wisely to generate multiple income streams. For most people, property is their largest asset. This might be the house where they reside. In such a setting that property is a non-income-earning asset, which is sucking away your income for a long time in the form of EMIs. Create a diversified portfolio through fixed-income products, equity and real estate, all of which could provide you with alternative avenues of income. Interest, dividends, rent, all these are alternative income streams, which could prove very helpful in times of distress when your primary income is brought to a halt. For this kind of income stream to be meaningful, your base investment has to be sufficiently huge. And this can be created only by regular savings and wise and prudent investing. A massive portfolio cannot be created in a hurry. Though if you don't start now, it will not happen.

Invest in yourself

You are your most valuable asset. Invest in yourself. Enhance your market value by developing new skills. Take short courses which add value to your resume and enable you to do better at your job or profession. These courses need not be related to your specialisation, but also improve other areas such as soft skills, essential for success in any profession. These factors can make you a better employee. In tough decision-times, you might be indispensable for the value you bring to your role. Keep networking and meeting people in your field. This will help you with references if you need to look for a job. Keeping yourself healthy is also an investment in you. Good health can save you expenses on medical care.

Get your family involved

Elders and children are most affected physically and psychologically when any household member is faced with the loss of a job. More especially if money has never been discussed as a family. Elders have not experienced situations when job losses were common and usually associated with very negative connotations. Children today are used to a comfortable lifestyle. They might turn anxious at the thought of a possible lifestyle change due to such a situation. It is equally important to take care of the anxieties which might arise in the family. Understanding and family support is crucial in facing such troublesome situations. So it would help if the whole family is involved in money discussions regularly.

Most importantly, hold on to the faith in yourself and your capabilities. Businesses have their own decisions to make, which might at times be detrimental to employees. Do not burn your bridges by bad mouthing the employer who has just sacked you. Avoid taking up, out of sheer desperation, the first job that comes your way. Look for something that you really want to do; else you might land up with something you will hate all the time. Instead consider taking up part-time employment or freelancing till you find something that you really want. So, hope for the best and prepare for the worst.

The writer is Chief Financial Planner, ABT Capital Advisors

SURVIVE WITHOUT A SALARY

- Maintain three months worth of expenses as contingency reserve
- Curtail your spends; keep a buffer to have comfortable cashflow
- Pre-pay loans that do not give tax benefits like car loan or personal loan
- Create alternative income streams by investing in fixed income, equity, real estate