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Managing Family Finances – When You Are Unemployed  
Michigan State University Extension Service  
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## When You're Unemployed

LOSING A JOB is a traumatic experience, whether it means losing your entire family income or a second income upon which your family's living standard depend. It's one thing to read statistical data in the newspaper about unemployment and another thing entirely to experience it.

Is there anything you can do to ease the burden? Definitely yes! Once you are over the initial shock, don't panic. Don't think the world has come to an end. Don't blame your spouse or take frustrations out on your family, or stop making all payments, or let things float.

You still control your financial affairs. The following three tips will help you "hang on" to whatever you have and survive the financial crisis.

### 1. Think About How You Use Money

Do you tend to "get even" with your spouse by overspending or by running up bills with credit cards?

Do you buy something compulsively because "tomorrow it might cost more" or "I might be even less able to afford it then," even when you don't need it?

Do you withhold money as punishment, or use it to "bribe" members of your family?

Do you spend money to work off frustration or to ease boredom or anxiety?

Now is the time to abandon such self-defeating actions! Noting your mood when you're spending money will help you

pinpoint that kind of weakness or leak in your spending. Set yourself up for success, not failure, by thinking positively. And remember, don't use money to "play games" with yourself or your family.

### 2. Analyze Your Priorities

Your first priority is to survive financially and emotionally as best you can until you're called back or you find another job. Whether you receive unemployment benefits or not, your income will be reduced. So, analyze your other priorities. Make a division between your real basic needs and what are only "wants," which may have become "felt needs" over a period of time of comfortable and worry-free living.

### 3. Communicate!

When analyzing your priorities, discuss them with others in your family to be more sure of getting your hoped-for results. Remember, in budgeting, communication is the name of the game. Sit down together and discuss priorities, compare thoughts in a calm and cool fashion. Share your concerns and hopes for help and cooperation. Others' ideas of what is "necessary" to survive may be very different from yours. Once you talk about this, it will be easier to understand each other and agree on how to manage.

## *Where Will Income Come From?*

### **1. Unemployment Insurance: Apply for it.**

Your nearest Michigan Employment Security Commission (MESC) office is where you apply for unemployment benefits. Call the MESC office and give them the last digit of your Social Security number. This will determine the day you report.

Be sure to apply on the first reporting day after your layoff to receive full credit for the period since the layoff. Take your Social Security card, your applicant Identification card and one other identification such as a driver's license.

A booklet from MESC, "Unemployment Insurance Policy," explains all services available as well as eligibility requirements, weekly certification and benefit rates.

### **2. Food Stamps: Are you eligible?**

The Food Stamp Program is available through offices of the Michigan Department of Social Services in every county. Your eligibility is determined by your income and financial resources. A resource is any money or property that you have, including checking and savings accounts. However, your home, one licensed vehicle, other vehicles needed for work, personal belongings, household goods, income-producing property, cash value of life insurance policy and pension funds are not counted as resources. A household can own resources up to \$1,500 such as money in checking or savings accounts, stocks, bonds, or property and still be eligible.

To apply for food stamps, take the following information with you:

- Proof of residence in the county
- Proof of income from all sources for all household members
- Record of all property, including saving and checking accounts, stocks, bonds, etc.
- Record of house payments, insurance, rent receipts, taxes
- Record of all utility bills
- Record of current medical and dental expenses being paid, if more than \$10 per month
- Birth dates and social security numbers of household members
- Records of court-ordered child support and alimony payments
- Proof of tuition and mandatory education fees
- Record of child care payments while employed or in approved training

Federal law requires that your eligibility be determined within 30 days of your application.

### **3. \$ Stretcher: Use it.**

Steps 1 and 2 should give you a good idea of your unemployment benefits. Now, see your county Extension home economist and ask for a "\$ STRETCHER" budget analysis to fit your situation.

"\$ STRETCHER," a computerized budget, will come up with a budget program tailored to your needs. You will need to provide information on your monthly expenditures for:

- Food
- Rent or mortgage (including property taxes and insurance)
- Average utilities (gas, oil, electricity, phone)
- Car insurance
- Life insurance
- Car payment
- Other installment debt (personal loans, installment contracts, payments on revolving charge accounts or credit cards)
- Gas for your car

## *With Your \$ Stretcher Budget, Answer These Questions:*

### **1. How Can You Cut Flexible Expenses?**

Look first at the more flexible items in your budget. Some things you may decide to cut out altogether- special recreation, clothing for adults, contributions, home equipment or furnishings.

Other expenses may need cutting down. Grocery expenses will be one of the first things to think about carefully.

With your "\$ STRETCHER" budget you will receive many suggestions for cutting down your expenditures for personal care, recreation, medical and household operations.

Call a family conference and decide where to make cuts. Let the children know that your financial picture may be different until you're working again. Family members are more apt to cooperate if they have a part in the decision.

### **2. Will Some Fixed Payments Need Rearranging?**

#### **RENT**

Explain your situation and your landlord may accept part payment for a few months. You might look for less expensive housing, but remember moving expenses, deposits, and personal and family adjustments might outweigh the advantages of moving.

## MORTGAGE

Generally, creditors do not want to foreclose on a mortgage, and this will probably be the last investment you want to lose. Try to work out a payment plan with your lender. Find out if you can pay only the interest for a certain period of time or skip a few payments.

If payments will be more than you can afford for a long time, consider selling. CAUTION: Seek sound advice first. Will you gain by selling? Will you find suitable housing for less?

## INSURANCE PREMIUMS

Determine your minimum insurance needs. Call or write your agent to take steps now to meet those needs.

**Car Insurance**—Check to see if you can increase the deductible on Collision and Comprehensive. You **MUST** keep liability coverage.

**Health Insurance**—Check to see if your employer's health insurance is continued and for how long. If you've had to leave a group policy, check for a grace period (usually 30 days) to reapply for insurance on your own. You will not have to undergo a medical examination, but premiums for an individual policy will be higher. Also check to see if you qualify for Medicaid.

**Life Insurance**—Check your policy for an "automatic premium" clause that allows you to pay premiums out of a loan from the cash value of your policy. Rather than lose your policy, you may want to change it to a less expensive form—you're looking for protection now, not savings. You might also consider converting your policy to paid up insurance.

## UTILITIES

You have some control over the cost of your utilities. Make a determined effort to limit your utility use in every way possible.

In Michigan, service will not be cut off if you pay a reasonable amount of the outstanding bill and agree to pay the remainder in installments until the bill is paid. This agreement must be in writing and signed by both you and a utility representative. If you reach an agreement by telephone, the utility company must send it to you in writing with a prepaid, self-addressed return envelope.

You may have less trouble reaching an agreement if you have a good past payment record. Other factors considered in determining the settlement are the size of the delinquent account, your ability to pay, the length of time the debt has been outstanding, and the reasons why the debt has not been paid.

Remember, once a settlement has been reached, you must comply with its terms and conditions.

## INSTALLMENT DEBT

**Reread Your Current Contracts**—What will happen if you miss a payment? Do your contracts provide:

- A "grace period" for paying before the creditor takes action?
- A penalty or charge for late payment?
- A statement that the total amount owed is due in full if a payment is late?
- A repossession clause?

**Contact Your Creditors**—Before you call, write or visit your creditors, use your \$ **STRETCHER** budget to prepare the following information:

1. The amount of income you can depend on
2. Your fixed expenses (rent, insurance and debt payments)
3. An estimate of your flexible expenses (food, recreation, clothing, transportation)
4. A plan for medical care and emergencies

*When arranging a change in your contracts:*

**SHOW** the creditor what you think is a reasonable plan for making smaller payments and still paying off the debt.

**REVISE** the plan, if necessary, with your creditor to arrive at an agreement you both can live with.

**PUT** the agreement in writing.

**FOLLOW** the agreement. Your repayment record will influence your future chances of getting credit.

**KEEP** creditors informed of any changes that might affect your payment agreement.

*ABOVE ALL—*

*Don't Wait for Creditors to*

*Contact You—*

*Call Them Before Bills Are Overdue*

### 3. Do You Need To Use Savings?

If you have built up an emergency fund or have savings to cover unexpected financial blows, think about using that money now. Decide how much you need each month. How long will your fund last?

If you withdraw money from your savings accounts, take money from a regular account first and leave certificates of deposit or money market certificates until the very last. You'll lose interest on the certificates if you cash them in before they mature.

#### 4. Can You Borrow Against the Cash Value of Your Life Insurance Policy?

Check how much cash value you have in your whole life insurance policies and the procedure for taking out a loan. Usually the interest rate is lower than for other loans, and repayment is very flexible. Be aware, however, that the amount borrowed will be subtracted from the face value of the policy if the insured dies before the loan and all of the interest have been paid back.

#### 5. Have You Considered a Loan?

##### LOAN

You might consider a loan to get you through this period. One possibility may be using your overdraft checking account if you have one. Another solution might be a savings passbook loan or a second mortgage if you have considerable

equity.

Think carefully about taking an additional debt while unemployed or you may find you're in over your head before you know it.

##### CONSOLIDATION LOAN

Check with your credit union, bank, savings and loan association or finance company about a consolidation loan to pay off all your outstanding debts. This type of loan will give you one smaller monthly payment.

Remember, though, that a consolidation loan extends your payments over a longer period of time and may have a higher interest rate. You will still pay the entire amount you currently owe, plus additional dollars in interest.

Compare this alternative against working out new agreements with your individual creditors.

**If you find that you cannot work out arrangements on your own with creditors, consider using the services of the Credit Counseling Centers, Inc. C.C.C. is a nonprofit organization with offices in Detroit, Flint, Grand Rapids, Jackson, Kalamazoo, Lansing, Muskegon, Pontiac, Roseville, Saginaw, Southfield, Wayne and Ypsilanti. The services of C.C.C. are financed through a combination of fees from clients and voluntary contributions from the business community. Professional counselors can help with money management and use of credit as well as debt liquidation.**

##### *Remember, When You Lose Your Job*

- **Don't panic**—You can still control your financial situation, if you plan carefully.
- **Communicate**—Analyze your financial priorities, and talk with your family about what you will do.
- **Don't default on payments**—Explain your situation to your creditors, and work out adjustments.
- **File a claim** for unemployment insurance benefits right away.
- **Be prepared** to change your standard of living at least temporarily, so that you don't wind up sacrificing essentials.



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