

Move Forward

When Your Income Drops



Experiencing a loss of income can be devastating. Perhaps you have been laid off, lost crops to bad weather, suffered a lean year with your small business, or the cost of living has increased to the point where your income is no longer adequate. Getting by with less may seem like an impossible task. You may feel like you are all alone and that you have nowhere to turn for help.

You are not alone. According to the Bureau of Labor Statistics, between the ages of 18 and 40 the average person works 10.5 different jobs and experiences unemployment 4.9 times. At any one time, some two to five million people are out of work. That does not include individuals who work fewer hours or earn less for other reasons.

Unemployment and other economic challenges are so common that federal, state, and local governments and nonprofit organizations offer a variety of resources to help you through hard times. In addition to government programs, many community organizations offer assistance and support that can make a big difference. Friends and family members—your support network—are also invaluable.

Making ends meet can be a challenge during the best of times. When there is less money, making ends meet becomes even more challenging. However difficult it may be, you can do it. People can and do survive and many times wind up better off afterward than they were before. Here are keys to success: think positive, consider the possibilities, and MAP OUT your plan.

Think Positive

It does not matter why your income dropped. It happened. Now you have to deal with it. There is little to be gained right now trying to figure out what went wrong, who was at fault, and what you might have done differently. Those are certainly important questions, and at some point, you will want to give them some thought. But for now, your first priority is looking ahead and planning how you will weather the storm.

Having a positive attitude makes a big difference. Positive thinking during hard times sets a good example for your children to follow when they encounter adversity. An attitude of gratitude is critical when interacting with others, including helping agencies, potential employers, and creditors. Believing in yourself and your ability to handle whatever comes your way is half the battle. A positive outlook tends to draw people to you and make them want to help. It is also more likely to lead to opportunities that can make a difference.

Your journey will not be easy. There are many tough choices and challenges ahead. Once you get to the other side, however—and you will—you may find that the current crisis was a blessing in disguise. This crisis may be the opportunity to start down a new and more interesting path. It may even turn out to be the best thing that ever happened to you.

Consider the Possibilities

A perfectly natural reaction during a crisis is to focus on the present. “Get me through today and then I will worry about tomorrow.” During a crisis it is easy to get so caught up in the day-to-day details that you get pulled in one direction and then another. Even though dealing with the day-to-day details is important, you need to have a long-term plan to resolve the crisis. Knowing where you want to go enables you to include activities in your daily planning to help you reach your destination. Consider the possibilities. You do have choices.

Simplify Your Lifestyle. No matter what choices you make, some things will have to go, even if only until things get better. Cutting back on spending can be the solution, too. You can decide just to adjust to the loss of income by changing the way you live. If your spouse or partner still works, it may be possible to cut back to one vehicle, eliminate childcare expenses, and make other adjustments to reduce spending to the point you can make it on just one income.

Temporarily Work a Second Job. You might be able to work a second or part-time job long enough to pay down debt or otherwise reduce expenses so living on less is more do-able. Think creatively. There are many ways to supplement your income. You could mow grass, babysit, walk dogs, clean homes or businesses, or work part-time in a fast food restaurant. Knowing the extra work is temporary rather than permanent makes the sacrifice more bearable.

Find Another Job. If you have lost your job, finding another job is really the only option for most people. Finding another job can be a challenge, depending on your situation. In rural areas, during rough economic times, or when your skill set is very specialized, comparable positions may not be available. You may need to develop new skills to compete for local jobs, and that often means starting at the bottom of the pay scale again. Relocating for a position like the one you had poses different challenges. Perhaps your skills are in such high demand in another area that a long-distance move makes sense.

Return to School. Education pays. Financial aid is often available—particularly for trades and professions that cannot find qualified workers. Think more broadly than colleges and technical schools. It is possible to work as an assistant or apprentice to learn some trades. The Mississippi Workforce Investment Network (WIN) in Mississippi Job Centers and vocational rehab offices around the state offer information and assistance.

Start Your Own Business. More than two-thirds of small businesses start as very small operations operating out of the owner's home with no additional employees. According to the National Federation of Independent Businesses (NFIB), about 39 percent of small businesses make money, 30 percent lose money, and 30 percent break even. There are resources to help you such as the Service Corps of Retired Executives (SCORE) and Small Business Development Centers.

Map Out a Plan

A positive attitude and ideas about the possibilities for a new future are a good start but will not go very far toward getting your bills paid. You need to assess your situation—MAP OUT the situation so you can see where you are, where you need to go, and how you will get there. Your assessment should include the following:

Magnitude. How much of your income did you lose? Losing half your income is much harder to deal with than losing a fourth of your income, but not nearly as tough as losing all of your income. Coming up with a reasonably close estimate of the percentage can be useful as you move forward. Of the income you lost, how much do you need to replace?

Assets. What do you have to get you through the hard times? Obviously, this includes bank accounts, property you own, and your investment portfolio. Some assets, such as your home, may serve as collateral for loans. Equally important is the human capital you have to work with—the skills, talents, and special abilities you and family members have that you can exchange for cash.

Priorities. What's most important? Prioritize your assets, with an eye toward those you could easily part with if you have to and those you'd prefer to hold onto until you have no other options. You also need to prioritize your spending needs. Setting priorities is a difficult but critical step to getting through the current crisis.

Options. What choices do you have? Be sure to include resources outside of your home and family. Faith-based organizations and other community resources can make a big difference. While you are still figuring out what to do, it's best to include all your options, just in case you need them later.

Unexpected. What will you do if an unexpected expense comes up? It is unlikely you planned for this loss of income. No matter how much you plan, things happen along the way you could not possibly anticipate. That will not change. Think about this before you completely deplete any emergency savings.

Timeline. How long can you get by with the resources you have? To help you survive the weeks and months ahead, you need to know when your bills are due and when income (if any) is expected. If you usually pay all your bills once a month, you may need to change your habits for a while. If your money is earning interest, you may want to pay your bills at the last possible moment to avoid late fees and additional finance charges.

You will need to assess your situation periodically until the storm has passed. Early on the assessments might take place every few days. As things stabilize and begin to return to normal, you can re-assess less often. The first time is always the hardest. It gets easier as you gain more experience.

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