

## Don't Wait for a Layoff to Plan for One

In June, Chicago outplacement firm Challenger, Gray & Christmas reported that job reduction announcements by major U.S. corporations in May were up only a slight amount from April's totals, but up a whopping 32 percent from May 2006.

What does this mean to you? As Harry Truman once said, "It's a recession when your neighbor loses his job; it's a depression when you lose yours."

So, are you ready for a depression?

Even if times are good at your employer, use these stress-free moments to plan for a rainy day:

**Build that emergency fund:** If you don't have three to six months worth of savings in an interest-bearing account for emergencies, start socking it away. Try to find an account with an automatic deposit feature so you never have to worry about missing a week of savings. Wondering where you'll find that extra money? Start tracking your spending.

**Slash your high-interest debt:** While times are good, cut your spending so you can eliminate credit card, auto and home equity debt first. That's the kind of debt that's extremely punishing if you're out of work. The sooner you can learn to manage debt and use it only for reasonable purposes, the sooner you'll be on your way to a savings and investment cushion that will protect you in good times and bad.

**Keep networking:** It's always a good idea to get to know your peers in the city or town where you work. It's particularly wise to make the time to network while you're still employed because you might get the lead on your next job well in advance of the time when you may need it. The money you spend on membership in a group or association key to your industry may be the best money you've ever spent. Plus, it may be tax-deductible.

**Get a line of credit while you're still working:** If you own a home, consider taking out a home equity line of credit and vow never to touch it unless you run into a serious cash flow problem if you lose your job. If you don't touch it, it won't cost you anything. Make sure you apply for the line while you're still working – lenders want to see that steady salary.

**Use your company's education dollars:** Sharpen your skills on the company dime. Take classes that will improve your skills at this company or other employers down the line.

**Apply for disability coverage while you're still working:** Personal disability coverage is increasingly important as companies continue to pare benefits. Group disability coverage can be threadbare if you have a lengthy illness or disability. Plus, it makes sense to buy personal disability coverage based on your current income. You won't be able to buy as much if your income goes down.

**Apply for your child's college financial aid while you're working:** If you have a child in college or ready to go to college, make sure you have filled out the FAFSA – the Free Application for Student Financial Aid – on time. Even if you don't need the money now, there are

hardship forms that can be filled out later in case your child needs the aid and you're without a job.

**Understand your benefits:** If you are laid off, you will qualify for a continuation of your employer's health insurance benefits through COBRA. The federal Consolidated Omnibus Budget Reconciliation Act allows an individual to buy coverage from his former company for 18 months (or more in certain situations) due to employment termination or reduction of hours of work. You'll end up paying the amount of your total premium since the boss doesn't have to pay his share anymore, but at least your coverage won't change. If you're married, see if you can switch to your spouse's health coverage – it might save more money than going COBRA. Also, check out what your unemployment benefit will be ahead of time so you can budget.

**Stay away from your 401(k):** The possibility of losing your job is an excellent reason never to take out a 401(k) loan. You'll need to pay it back before your last day at work. And don't even think about tapping retirement savings if things get tough. Find another way to shore up your cash flow.

-30-

*July 2007 — This column is produced by the Financial Planning Association® (FPA®), the leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Please credit FPA if you use all or part of this column. To connect with a member of FPA for your story, call FPA's Public Relations Department at 800.322.4237, ext. 7172.*

*Based in Denver, Colo., FPA has over 100 chapters throughout the country representing more than 28,000 members involved in all facets of providing financial planning services. FPA is the community that fosters the value of financial planning and advances the financial planning profession and its members demonstrate and support a professional commitment to education and a client-centered financial planning process. For more information, visit [www.FPAnet.org](http://www.FPAnet.org).*

*The Financial Planning Association is the owner of trademark, service mark and collective membership mark rights in: FPA, FPA/Logo and FINANCIAL PLANNING ASSOCIATION. The marks may not be used without written permission from the Financial Planning Association.*

## Going to the Hospital? Prepare Financially as well as Medically

Whether you or a loved one are going for a scheduled hospital stay, don't stop with your doctor's orders – get your financial orders in place, too.

While most people exit the hospital without incident, no matter what your age, it's important to have an action plan in place if you become disabled or die after surgery or other treatment. Actually, it makes sense to have these elements in place even if you're not facing any immediate medical need. Make it part of your family disaster plan.

**Check your insurance coverage:** Make sure you contact your insurance provider well in advance to determine out-of-pocket costs for your surgery or treatment and make sure you have all necessary pre-approvals for that work. If you'll need additional cash to cover deductibles, put that money aside where it can be accessed. Also, check your disability coverage – hopefully you have personal coverage to extend the reach of limited coverage at work – to make sure you understand the effective date and the range of benefits. Above all, make sure you're current on premiums for your health, disability, life and long-term care coverage and make sure all beneficiaries are current.

**Designate a family member as your primary contact:** This person may or may not be your health power of attorney (more on this below), but you should have one person designated to keep in touch with the family, friends and employers you designate they call. This person could also see that your bills get paid if you're out of commission longer than you anticipate.

**Get your health care directives in place:** A health care directive – also called an advance directive – specifies your medical wishes in case you're incapacitated. They come in two forms: the living will and the power of attorney for health care. The living will indicates specific wishes about medication and life-support treatment if you're incapacitated, and you need to refer to your own state laws on how these documents need to be written. The power of attorney for health care – also called a durable power of attorney for health care -- also specifies your wishes for treatment but allows you to designate a specific person to act in your stead if you are incapacitated. You obviously have to pick this person carefully and have a thorough conversation and agreement on your wishes.

**Set up accounts properly:** Your health care power of attorney may or may not be the person with the power to disburse your assets if you're incapacitated, but that person should have their name on a joint checking account in case bills need to be paid. Also, make sure you have a line of credit established that your designated representative can access in case of emergency.

**Make sure your will is current:** No one expects they'll die in the hospital, but it's necessary that your will be up to date so your spouse or designated executor can step in immediately to handle your affairs.

**Have an up-to-date “disaster” file:** If you are incapacitated or die, it makes sense to have all critical papers in one place so your health care power of attorney, your executor or a trusted

friend or family member can access them. Include the following with an index:

- Birth, death, marriage certificates (with 10 copies apiece in case they're needed for estate purposes); List and location of all bills that must be paid with due dates;
- Divorce decrees with all relevant settlement information;
- Location of wills, trusts and any power of attorney information;
- Advanced healthcare directives;
- Adoption papers, if applicable;
- Key identification numbers, including drivers' license, Social Security, passport and employee identification data;
- Recent bank and brokerage statements;
- Detailed funeral and burial wishes;
- Location of cash that may be used to handle emergency expenses;
- Copies of recent medical records in case you're incapacitated;
- Copies of deeds for primary home, vacation and investment properties;
- Car title, lease, loan information and license plate data;
- All insurance policy (health, disability, life, auto and long-term car) with agent contact information;
- Photocopies of credit and debit cards, front and back (displaying the individual's signature);
- A current copy of the individual's home financial software program reflecting up-to-date financial data;
- All password information necessary to get inside any computers, PDAs and cellphones you own;
- The locations for all investment documents;
- Notes on house maintenance and service providers;
- Where safe deposit, lockbox and filing cabinet keys are;
- The name and number of your human resources department at work;
- Location of tax returns for the last three years;
- All relevant contact numbers for executors, financial advisers, trustees, guardians, attorneys and any other individuals who will need to step in if the person is dead or incapacitated;
- All user IDs and passwords for online accounts;
- Guidelines on what to do about orphaned pets, including set plans for who will adopt them and pay for their care.
- A general statement of family origins, values, and hopes for future generations, including what you want for children in the way of day-to-day parental guidance as well as aspirations.

-30-

*July 2007 — This column is produced by the Financial Planning Association® (FPA®), the leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Please credit FPA if you use all or part of this column. To connect with a member of FPA for your story, call FPA's Public Relations Department at 800.322.4237, ext. 7172.*

*Based in Denver, Colo., FPA has over 100 chapters throughout the country representing more than 28,000 members involved in all facets of providing financial planning services. FPA is the community that fosters the value of financial planning and advances the financial planning profession and its members demonstrate and support a professional commitment to education and a client-centered financial planning process. For more information, visit [www.FPAnet.org](http://www.FPAnet.org).*

*The Financial Planning Association is the owner of trademark, service mark and collective membership mark rights in: FPA, FPA/Logo and FINANCIAL PLANNING ASSOCIATION. The marks may not be used without written permission from the Financial Planning Association.*

## Whether You Choose Credit Counseling or are Ordered to Attend, Check out the Agency First

Under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, (BAPCPA), individuals hoping to file a petition in U.S. bankruptcy court now need to attend a credit counseling session from an agency approved by the Office of the U.S. Trustee prior to filing. They'll also require another counseling session before any bankruptcy debts can be discharged.

It is typically up to the Trustee's office to recommend the specific credit counseling service potential filers need to do. The required counseling can take place in person, over the phone, or online on the Web site of the approved credit counseling agency. According to the Federal Trade Commission, pre-bankruptcy counseling typically takes place during a single session, and costs you an average \$50. You'll get a written certificate to turn in to the bankruptcy court.

Bankruptcy-related credit counseling is not a trip to the woodshed. It's intended to help you re-evaluate your spending and prepare for life after certain debts are discharged (wiped from the slate). Your counselor should provide you:

- A personal financial assessment;
- A reasonable and manageable spending plan;
- A detailed action plan;
- Short- and long-term financial goals.

Credit counseling is a valuable service whether you are required to get such advice before a bankruptcy filing or if you are simply trying to organize your finances. However, it might be valuable to consult a financial planner specializing in debt and bankruptcy issues before you do anything – filing for bankruptcy should be done only as an absolute last resort because it will damage your credit rating for the next 10 years.

But in general, here are some important things to know and ask about credit counseling before you make a move.

**Consult various agencies, media about reliable credit counseling services in your community:** If you're filing bankruptcy, it is generally wise to go with the chosen consumer credit agencies recommended by the trustee. But that doesn't mean you shouldn't check them out. Check which agencies your local media consults when talking about credit counseling, and check in with the local Better Business Bureau (BBB) to see if it has obtained complaints on the agency.

**Watch carefully for fees and expensive services:** A reputable credit counseling agency should send you free information about its policies and activities without asking you at that point to provide any details about your situation. Check the range of services they offer – the best credit counseling agencies provide budget counseling and savings and debt management classes. The FTC says you should avoid organizations that try to push you into a debt management plan (DMP) as your only option before they get a chance to look over your detailed financial situation.

**Know how their staff is paid:** Understanding compensation is important. If the agency's staff is paid based on the services they sell, go somewhere else. And if your bankruptcy trustee recommends that agency, let them know so they can be taken off the list.

**Understand debt management plans and whether they're right for you:** A debt management plan typically requires you to deposit money each month with the credit counseling organization, and it pays your debts in exchange for a lowering of fees and balances by your lenders. Reputable consumer credit services offer such plans, but since you might be in one for more than two years, you need to understand how they work.

**Understand that these organizations can make costly mistakes:** If you reach an arrangement to pay future bills through an agency, it is possible they can make a mistake paying your bills on time. You must still monitor due dates on all your outstanding bills and make sure the agency has made the payments on time. If they fail, call the BBB to alert them. A credit counseling agency that fails to pay bills on time will delay any recovery of your credit rating.

**Make sure all agreements are in writing:** You should know in writing what services the agency will provide you, whether you will attend classes and counseling on specific topics. Always know whether you'll have the opportunity to discuss your situation with a counselor in person. Above all else, understand any charges you are paying.

-30-

*July 2007 — This column is produced by the Financial Planning Association® (FPA®), the leadership and advocacy organization connecting those who provide, support and benefit from professional financial planning. Please credit FPA if you use all or part of this column. To connect with a member of FPA for your story, call FPA's Public Relations Department at 800.322.4237, ext. 7172.*

*Based in Denver, Colo., FPA has over 100 chapters throughout the country representing more than 28,000 members involved in all facets of providing financial planning services. FPA is the community that fosters the value of financial planning and advances the financial planning profession and its members demonstrate and support a professional commitment to education and a client-centered financial planning process. For more information, visit [www.FPAnet.org](http://www.FPAnet.org).*

*The Financial Planning Association is the owner of trademark, service mark and collective membership mark rights in: FPA, FPA/Logo and FINANCIAL PLANNING ASSOCIATION. The marks may not be used without written permission from the Financial Planning Association.*