

## Financial Psychology and Lifechanging Events

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# Job Loss

*Losing your job through downsizing, corporate restructuring, or workforce reduction can be one of the most traumatic events in your life. An unexpected job loss may cause difficult financial and psychological repercussions not only for you, but also for your family and friends. However, surviving your job loss—and even thriving from it—are possible.*



NATIONAL ENDOWMENT FOR  
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*Partnering for Financial Well-Being*

**T**aking stock of your situation, mourning your losses, creating a plan for the future, and learning how to rebuild are steps you can take to move into the future with confidence and security. While there is no prescribed time period for how long it will take someone to find another position, there are some things you can do to assess

your financial situation or come to terms with emotional reactions. The National Endowment for Financial Education® (NEFE®) has developed this brochure to help you identify the steps you can take toward becoming a “triumphant survivor”<sup>1</sup> from your job loss.

## First Steps

Not everyone will have the same reactions and needs in the aftermath of a job loss. When reviewing the following steps, if you feel one or more speaks to your situation, you may find it helpful to apply that step in a way that suits your needs. You may also find it helpful to ask someone you trust to accompany you to meetings where you are gathering information. This person can take notes that will help you to follow up on instructions or advice.

- Take time—whether a few days or a week—to calm down and process some of the emotions. This will give you some emotional distance so that you can begin to refocus on how you will solve the difficulties resulting from your sudden loss of income.
- Go back to your former employer after the initial cooling off phase, and ask questions about your benefits. Get answers to any questions listed under “What Questions Should I Ask My Former Employer?” that apply to your situation.
- Understand your current financial situation. Do you have enough money to get through the next few weeks? The next few months? If you have no emergency funds and need immediate financial assistance, it may help to discuss your options with a trusted family member or an objective outsider, such as a friend, financial counselor, or member of your social or religious community.
- Talk to a job or career counselor who can help you with finding a new job or redefining your long-term career goals. Try to work through your emotions before writing a resume or getting a new job.

## COMMON Feelings

Losing your job can trigger a range of emotions—some of which may be uncomfortable or upsetting. Sometimes people ignore these feelings or try to hold them inside. Many times, people don’t realize that feelings of anger, disappointment, fear, and frustration are common responses to being laid off or terminated. If you notice a tendency to “act out” with destructive behaviors such as drinking too much, lashing out at family members, or becoming short-tempered and irritable, you may need to seek professional counseling.

Job loss often triggers a loss of self-esteem. Some people find themselves fatigued and unable to accomplish anything during the day. These are all common responses to the loss of an important part of your life. For many people, their jobs provide structure and definition to their day. The loss of a job can be a devastating blow.

It’s important to recognize these feelings for what they are—responses to a difficult, stressful situation. You may be the sole provider for your family and you may worry about how your family will survive. You may have been living paycheck to paycheck and you don’t have an emergency savings account to get you through while you find another job. You may be fearful that you will never find another job at the same income level and with the same benefits. These are all normal responses to a job loss. Being aware of some of the financial and emotional responses that accompany job loss can help you to decide how you will proceed and recover.



## “CLOSING OUT” *With Your Former Employer*

### Typical Responses to Job Loss:

Following is a list of reactions that are common among those who lose a job. Some are initial reactions and others occur over time. You may experience all or only some of these reactions.

- Shock
- Anger
- Grief
- Wanting to blame others
- Sense of isolation\*
- Loss of self-esteem
- Loss of pleasure or lack of interest in activities you used to enjoy\*
- Significant and/or frequent changes in mood\*
- Disillusionment
- Shame\*
- Lack of sleep or excessive sleep\*
- Loss of appetite\*
- Feeling “not yourself”\*
- Impaired concentration\*
- Fatigue\*
- Agitation\*
- Angry outbursts\*
- Crying episodes\*
- Substance abuse\*
- Thoughts of death or suicide\*

\* If one or more of these symptoms occurs every day or almost every day for over two weeks, or if your feelings are overwhelming your ability to function, talk with your family doctor as these can be signs of clinical depression, a treatable medical condition.

The questions you need to ask your former employer will help you close out with the company while still retaining as much value from your benefits as possible. Depending on the size of the company, a human resources person may be available to help you with the questions you might have. Or you may need to talk to one of the principals of the company if you worked for a smaller firm that does not have a human resources department. If you were in a union, your union steward or union representative may help you. It is also possible to talk directly to administrators of benefit plans, such as the administrator of your 401(k) plan.

If you have a trusted financial advisor, you may want to consider providing that person with a limited power of attorney. The limited power of attorney will empower your financial advisor, or another person of your choosing, to ask questions of your former employer and gather the necessary information for you.

No matter what your feelings are about your job loss, it can be important to get answers to questions you might have about your benefits. It is also important that you understand what options you have, such as converting a life insurance policy to a private policy (which must be done within 31 days). See the sidebar “What Questions Should I Ask My Former Employer?” for a list of questions that may potentially affect you.

## What Questions Should I Ask My Former Employer?

- What benefits do I have?
- What are my rights regarding my benefits?
- What are the timeframes to apply for continuing coverage or to convert policies?
- How do I continue my medical insurance under the COBRA law?
- What are my rights of conversion for my life insurance? (Conversion of a life insurance policy allows you to convert from the group plan to a private policy without any underwriting.)
- What are my rights with my disability insurance? Long-term care insurance?
- How can I roll over my 401(k) plan? What timeframe do I have for completing the rollover? If I need to distribute the 401(k), how do I do that? What will it cost me to distribute my 401(k)?
- If you have borrowed from your retirement plan, ask about your options for repayment of the loan.
- What are my rights regarding my pension plan?
- How do I get unemployment benefits? How much unemployment money will I receive? How long will I receive unemployment benefits?
- What rights do I have in terms of my union contract? Who is my union steward and how can I contact him/her?
- Am I entitled to sick leave pay? Vacation pay? Severance pay?
- Where do I go to get job search help? How do I get career help?
- Is there a termination package available to me?



## MISTAKES to Avoid

It is common in the first few days after a job loss to feel panic about how you will pay your bills and stay afloat. Some people will make some costly mistakes by acting from an attitude of panic rather than from the more reasoned approach they may gain as time passes.

Here are some financial actions you should avoid, if at all possible:

- Using credit to purchase goods or services
- Increasing your debt load
- Borrowing money
- Filing for bankruptcy
- Cashing out your 401(k) retirement savings
- Cashing out your pension plan
- Making major decisions, such as selling a piece of property

If you are in the situation where you have no emergency funds to get you through the first month or two of unemployment, you may think you have to cash out your 401(k) or pension plan. However, this should be an option that you use only as a last resort. Cashing out your retirement plan not only depletes your current retirement savings, but it also means you will not receive the benefits of compounding interest on the money you must withdraw. You will also be liable for taxes on the money and often a 10% penalty fee.

If you roll over your 401(k) to another account from your former employer's account, be mindful that there may be costs associated with this decision. Some insurance companies will charge you a surrender fee in connection with a retirement annuity that can be as high as 10%. Also, some mutual fund companies will impose a surrender charge (back-end load or sales charge) that can be as high as 8.5%.



## WHAT ARE SOME *Things I Can Do?*

From the list below, you may see possible solutions to short-term money problems. You may find it beneficial to follow up on the ideas that apply to your situation.

- Get rid of any expense you can. (For example, maybe you'll decide you don't need cable television service. On the other hand, you may need Internet service to apply for jobs.)
- If you own a home, you may be able to arrange for a forbearance agreement with your mortgage holders. (A forbearance agreement enables you to pay nothing on your mortgage or to make a partial payment for a set period of time. The difference is made up in the future when you can resume regular mortgage payments.)
- If you are renting, consider moving to a less expensive place, moving in with a friend, or getting a roommate.
- Avoid scams. If something looks or sounds too good to be true, it probably is. Beware of work-at-home scams. Beware of "opportunities" that require purchasing front-end inventory or making a front-end investment.
- Consider using employment agencies that place professional people in new positions without a fee.
- If you have problems with credit, consult a nonprofit consumer credit counseling agency and seek assistance with debt consolidation or working with your creditors.
- Look for free financial counseling services in your community.
- Talk with your family and consider whether someone else in the household can help contribute to the household income by taking a part-time or full-time job. If your job provided benefits in the past, perhaps someone else could get benefits for your family through their company or through a new job.

## WHERE *Can I Get Help?*

There are services available to help you when you experience an involuntary job loss. From supportive friends and family to various community and religious groups, help is available. Don't try to go through this alone. Let others know what your needs are and what you are willing to do. The greatest asset you have is your own positive attitude and willingness to look at a variety of options. In addition to community and religious groups, the U.S. Government supports many programs that may help you—from job retraining and unemployment benefits to food stamps and affordable housing programs. Don't be afraid to ask! Begin by reviewing the Resources section of this brochure.

## HOW DO I FIND *Good Financial Advice?*

If you already have a trusted financial advisor, you will likely turn to that person for help through this period of transition. If you don't have a financial advisor, you may want to consider finding free financial counseling through local community agencies.

Depending on your financial situation, you may have the option of meeting with a professional financial counselor for advice. Two methods for finding qualified financial counselors are (1) asking trusted friends or professionals, such as lawyers and accountants, for references, and (2) getting references from professional associations, such as the Financial Planning Association, National Association of Personal Financial Advisors, or the American Institute of Certified Public Accountants.

Whether you are referred by an association or receive a recommendation from a friend or another trusted source, you must do your homework. An in-person interview with the financial advisor is the best way to learn answers to questions such as how the advisor earns money (commission or fee-based) or what qualifications the advisor has, and will help you decide your comfort level. You will also want to ask for references from professionals and clients with whom the financial advisor works.

## Fifteen Actions I Can Take to Help Myself

Here's a list of possible actions for you to consider. Select those that feel comfortable and apply to your situation.

1. Learn to accept what you cannot change.
2. Take responsibility for you and your situation.
3. Realize that finding a new job is your current job. Consistently work 30-40 hours a week on your job search.
4. Talk things out in confidence with trusted family members and friends.
5. Get a handle on what your expenses are so that you have the option to cut those that you don't need at least for the time being.
6. Most communities have Job Centers with offerings such as career counseling; job search assistance; social services, such as food stamps or child care; unemployment benefits; etc. Check the city, county, state, and federal government listings in your local phone book to locate centers near you.
7. Keep an open mind about work possibilities.
8. Redefine the good life. For example, instead of going to a bookstore, you could go to the library. Instead of buying a DVD, you and your family could play a board game.
9. Make it difficult to buy things impulsively. Don't carry credit cards. Leave them at home.
10. Unless there is an emergency, don't loan money you withdraw from a pension plan or 401(k) to family members or friends.
11. Learn how to set boundaries and say "no" to family members and friends when you can't afford what they want.
12. Learn how to be proactive so that decisions you make now put you in a position of strength should you ever be in this situation again. For example, if you understand your spending patterns, you can be in a better position to eliminate unnecessary spending now and in the future. Think about how you will handle money when you are reemployed such as how you could build cash reserves to develop an emergency fund, or how to control your level of debt.
13. Remember that rebuilding takes time, patience, and support from others.
14. Eat properly and exercise regularly.
15. Allow some time for fun within your routine.



## HOW DO I Move Forward?

While each person experiences recovery from job loss in different ways, the list below offers some ideas to consider that may help you move forward.

- Maintain a routine. Develop a schedule that works for your new circumstances and keep to it. A routine can help you stay focused on finding a new job. Resist the temptation to sleep late, watch television all day, or fritter time away on activities that won't help your job search. It may help to think of your search for new employment as a full- or part-time job.
- Take action. It may help to make a list of things you need to do to help you stay focused. Don't try to do too much in one day—that can be self-defeating. Start with small steps. As you accomplish the tasks you've set out for yourself, your feelings of confidence are likely to increase. (See "Fifteen Actions I Can Take to Help Myself.")
- Spend this precious time to reevaluate your goals and values. Remind yourself that the final outcome of this situation is up to you. You can make a decision that you're going to transform this experience into an event that helps you achieve the goals you want.
- Consider writing in a journal to help you think about your job loss and options for the future. Ask yourself questions in a positive framework, such as: How do I want to grow from this experience? What do I want to learn? What is it I want from my life? Try to write in your journal about 20 minutes, three times a week.
- Stay on top of your finances. Know what your income and expenses are. Know what assets you have. Develop a financial plan to get yourself through the next several months. Your financial plan may reveal possibilities, rather than present restrictions.

# RESOURCES



## Books and Articles

Claman, Priscilla. *The Benefits of Being Laid Off*. Career Strategies, Inc., 11 Beacon St., Suite 915, Boston, MA 02108, (617) 227-5517, 2001.

Farr, Michael. *Getting the Job You Really Want, 4th edition*. Jist Publishing, 8902 Otis Ave, Indianapolis, IN 46216, 2002.

Job Search Guide: *Strategies for Professionals*. U.S Department of Labor, U.S. Employment Service, ISBN 0-16-041683-3, 1993.

Jukes, Jill and Rosenberg, Ruthan. *Surviving Your Partner's Job Loss*. National Press Books, Washington D.C., 1993.

Kaiser Stearns, Ann. *Coming Back: Rebuilding Lives After Crisis and Loss*. Random House, New York, 1988.

Kaiser Stearns, Ann. *Living Through Personal Crisis*. Thomas More Press, Chicago, 1985.

Kaiser Stearns, Ann with Lamplugh, Rick. *Living Through Job Loss: Coping with the Emotional Effects of Job Loss and Rebuilding Your Future*. Simon & Schuster, New York, 1995.

Kapas, Jerome and Whitfield, Edwin. *Counselor's Guide to Career Assessment Instruments, 4th edition*. National Career Development Association, 10820 E. 45th Street, Tulsa, OK 74146, (918) 663-7060, 2001.

Liptak, John. *Barriers to Employment Success Inventory*. Jist Publishing, 8902 Otis Ave., Indianapolis, IN 46216, 1995.

Niles, Spencer. *Adult Career Development: Concepts, Issues, and Practices, 3rd edition*. National Career Development Association, 10820 E. 45th Street, Tulsa, OK 74146, (918) 663-7060, 2002.

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## Organizations and Web Sites

America's Job Bank. <http://www.ajb.dni.us>.

American Institute of Certified Public Accountants.  
[www.aicpa.org](http://www.aicpa.org).

Depression and Related Affective Disorders Association (DRADA). Provides information on referral sources, signs and symptoms, support groups and seminars.  
[www.drada.org](http://www.drada.org).

Federal Trade Commission. Offers protection from abuse from debt collectors and ability to file a complaint.  
[www.ftc.gov](http://www.ftc.gov).

Financial Planning Association.  
[www.fpanet.org](http://www.fpanet.org).

Forty Plus. A nonprofit organization for professionals age forty or older, with 20 chapters in 13 states and Washington, D.C. (202) 387-1582.

Job Centers. Locate local job centers in your community by searching the Internet or the government pages of your local phone book.

National Association of Personal Financial Advisors.  
[www.napfa.org](http://www.napfa.org).

National Career Development Association.  
[www.ncda.org](http://www.ncda.org).

National Endowment for Financial Education.  
[www.nefe.org](http://www.nefe.org).

National Foundation for Credit Counseling. Locate offices where you can receive free financial counseling in your region. [www.nfcc.org](http://www.nfcc.org).

<sup>1</sup> "Triumphant Survivor"—a term coined by Ann Kaiser Stearns in *Coming Back: Rebuilding Lives After Crisis and Loss*, Random House, 1988.

*In October 2001, the National Endowment for Financial Education® (NEFE®), a nonprofit organization headquartered near Denver, Colorado, held a think tank on the topic “Financial Psychology and Lifechanging Events” to explore the interplay of psychological and financial transitions that individuals are likely to experience when major life events occur. Keynote speaker and facilitator, Kathleen Gurney, Ph.D., CEO of Financial Psychology Corporation in Sonoma, California, led the participants to discover that major lifechanging events transform a person’s identity as a new sense of self, social, and financial realities emerge. A groundbreaking forum, it was the first time that practitioners from fields of financial planning and psychology joined with allied professionals to identify and understand common financial and psychological implications that affect people experiencing various life-changing situations including job loss, becoming suddenly single, remarriage, and*

*financial windfall. Participants explored how psychological, emotional, and behavioral reactions can affect one’s ability to make sound financial decisions. Working in multidisciplinary teams, the think tank participants contributed their expertise and experience to help NEFE develop a series of brochures, including this one, to help Americans deal with the financial and psychological issues associated with these events.*

**The National Endowment for Financial Education® (NEFE®)** is a nonprofit foundation dedicated to the mission of helping individual Americans acquire the information and gain the skills necessary to take control of their financial destiny. NEFE accomplishes its mission primarily by forming partnerships with other concerned organizations, focusing its efforts on individuals whose basic financial education needs are not being addressed by financial advisors, consumer organizations, or the media.

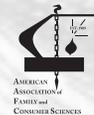
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