

# Business Standard

## Game plan to deal with job loss

**Reduce frill expenses, monetise your assets and invest in professional development to negotiate the choppy phase**

**Vishal Dhawan June 04, 2016 Last Updated at 22:18 IST**



While low crude oil prices have been widely hailed as a positive for the Indian economy, many

individuals and families associated with the oil industry, either in West Asia or in India, have been adversely affected. The downturn in the industry is reflected in the slowing of remittances from Gulf-based Non-Resident Indians (NRIs) in the recent past. While some individuals have already lost their jobs, many others are on the verge of losing it unless oil prices recover. Such individuals need a concrete plan to deal with the risks their finances are exposed to.

### **Communicate clearly**

Discuss the reality of your job situation with your family, so that it is aware of the risks. Other dependants may also need to be forewarned, for instance, parents who are supported by remittances. Talk to your financial advisor as well if you have one. Avoid being overly alarmist or optimistic. It's crucial to be as realistic about the situation as possible.

### **Build your contingency fund**

First and foremost, have a contingency fund in place. The size of the fund may vary, depending on whether the family has one or two earning members. This fund, which could normally be equal to three - six months of household expenses, including equated monthly instalments (EMIs), insurance premiums and children's

school fee, may need to be enhanced to 12 months in an uncertain environment. If you do not have a contingency fund of that size, you should make its creation your priority. Park this fund in liquid mutual fund or a flexi-deposit so that it can be easily accessed.

### **Monetise existing assets**

If you have already lost your job, are unsure about future job prospects, and do not have much time to create a contingency fund, then you can for the time being meet your regular expenses out of your existing investments. You may have received a sum of money - your last salary and possibly some other dues. Invest that money to generate a regular income, or use the principal itself to meet expenses. Explore the option of a Systematic Withdrawal Plan (SWP) from your existing mutual fund investments, keeping in mind the need to be tax efficient. In other words, pull money out of those funds first where long-term capital gains will apply.

If you have real estate that is lying vacant or have a vacation home, try to monetise it either by selling it or by trying to earn a rental income from it, depending on your age. Since younger people have a greater chance of finding another job, they should preferably rent out the house, while older people may need to sell it. You should also evaluate if a non-working spouse can begin to support income generation, through skills that may be valuable in the full or part-time job market.

### **Gear up afresh for the job market**

If you are in your late forties or fifties, getting a job again may take significantly longer than you think. Utilise the opportunity provided by the layoff to enhance your professional skills or to develop new ones. This may require some monetary outlay. Do not treat this as an expense but as an investment that could have significant payback if it is thought out thoroughly and implemented properly.

### **Manage loans and expenses**

While it is tempting to repay all your loans during a layoff, you need to be careful with the liquidity you have available, as there is a chance that you will need it in the near future. Hence, do not rush to repay all loans during this phase. At the same time, avoid using your credit card in such a situation, as credit card debt, if not managed well, can quickly spiral out of control.

At this point, request your bank to reduce your EMI and extend the tenure of your loan till the time you start getting a regular salary again. Later you can compensate by once again hiking your EMI once your salary starts flowing in again.

Expense management should be another key area to which you should devote attention. Look carefully at your expense pattern and pare the ones that are discretionary in nature. For example, if you have unwanted memberships or subscriptions that you don't use but still pay for, stop them at the earliest. Make sure you first provide for necessary expenses, after which you can use the balance for expenses of your choice. Expense tracking applications, which are available on the mobile phone, can be useful for this purpose.

Postpone some of your goals like property purchase, buying a new car, or a vacation in the near term to curtail expenses further.

### **Don't overlook insurance needs**

At a time like, insurance assumes great significance. It is even more critical if your insurance coverage was a part of the benefits provided by your employer. Having adequate medical insurance and critical illness cover is a must in a situation like this. Ensure that all dependants are adequately covered. Life insurance is also critical, as your family's long term goals could get affected if something were to happen to you. Do not treat insurance premiums as an unnecessary expense-they are your protection against the unexpected. If you own a home and a car, ensure that they are appropriately insured as well.

### **Weigh pros and cons of turning entrepreneur**

Alternative options like starting an entrepreneurial venture can be examined while you are looking for a job.

But this move should be very well thought through, and not be made impulsively, as it could have capital outlay implications, and is unlikely to pay off for at least a couple of years. If you have decided that you want to become an entrepreneur, there are a few things you need to keep in mind.

Being positive in this phase and remaining focused on the solution to the challenge on hand is of great value in this situation. Avoid scaremongers and negative thinkers. Remember that this is a temporary setback and it could well set you up for a better tomorrow.

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