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8 Ways To Slash Expenses When Facing Unemployment

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It's official. The unemployment rate is at 13.3% and we are now in a recession according to a statement from the private non-profit research organization National Bureau of Economic Research. Although the economy is opening up, we are not out of the woods yet, and many worry about the long term prospects of keeping their jobs. There are steps to take to prepare yourself and your family for the possibility of losing your job.

The most important thing to do, after getting rid of any bad debt, is to build up an emergency fund to tide you over while you are out of work and looking for employment. Ideally, one year's worth of bills in savings if you are the only bread winner in the family; Six months' worth of bills in savings if you have a duel income household where the other employed person makes a similar salary. If the other earner has a smaller salary, then increase your emergency fund.

Cutting expenses will help you add more money to your emergency fund and also help make that money last longer if you do lose your job. With all your expenses, consider if that expense is a need or a want. New clothes, eating out, or having your lawn cut are usually wants and not needs. If you can get yourself in the habit of living without many of these unneeded costs, your savings will last longer or you can get by with a smaller emergency fund. Here are some ideas to cuts expenses:

- First, get rid of high interest credit card balances. If you have to use them, pay them off every month to avoid the charges. If you have any additional savings, pay off what you can. It makes little sense paying a 20% interest payment when you have additional money set aside. You may also have the option of rolling that debt into a credit card offering zero interest for a period of time. You will need to pay that off before the special period is over.
- If you plan to stay in your home more than 5 years, consider refinancing your mortgage if rates are lower to decrease your payment. If you currently have a 15-year mortgage, consider changing to a 20 or 30-year mortgage to significantly lower your payments. If you have a second mortgage, consolidating those loans into one loan with a lower rate makes sense. Shop rates and closing costs as these can vary greatly from one mortgage company to the next.
- Shop your car and home insurance for lower rates or raise your deductibles to lower your monthly premium.
- Cut cable and use streaming services as cheaper alternatives.
- If your mobile phone contract is nearing expiration, change providers for a lower payment. Some mobile carriers have other benefits such as offering free Netflix with a subscription.

- If you have an expensive lease coming due, consider buying a used vehicle or finding a cheaper lease offering.
- Cancel gym memberships that go unused. Even if you use your membership, you may want to cancel and do your workout from home.
- Cut back on your vacation or skip it altogether, saving potentially thousands of dollars.

If your emergency fund is especially deficient, you may want to cut the contribution to your retirement plan to increase savings. Always contribute enough to get any company match that is offered. While cutting your 401K contributions is not ideal, losing your job and having to take distributions from your 401K is worse due to taxes and possible penalties. There are some temporary provisions in the recently passed CARES Act to help with retirement plan distributions, but we will not go into that for the purposes of this conversation. Generally speaking, taking money from your retirement plan is not advised.

There are additional factors to consider when losing your job. You may have some additional expenses such as purchasing medical insurance for you and your family. If you have a company car, you may need to purchase another vehicle. You should add these expenses into your budget when considering how much you will need in your emergency budget.

Many of these ideas are small changes, but when they are added up, they can make a big difference in your budget and give you the ability to increase savings to your emergency fund. Working with a qualified financial advisor can give you additional guidance to help you decide which ideas work best for your situation.