



SILVER KEY | Career & Business Solutions

HOW TO SURVIVE SUDDEN UNEMPLOYMENT



Silver Key Career and Business Solutions

A close-up photograph of a calculator on a desk. The calculator is white with dark blue buttons and a dark blue display. The display shows the number '0'. The calculator is positioned in the lower-left quadrant of the image. In the background, there is a financial chart with blue lines and arrows, suggesting a business or financial context. The overall lighting is soft and professional.

FIRST STEPS

Secure Your Finances

Through no fault of your own, you find yourself suddenly out of a job. Now what?

The first question to answer is: Is this unemployment temporary – or permanent? If you're out of work due to the Coronavirus pandemic, your employer may have furloughed you temporarily. If that's the case, your efforts will be focused on getting through this temporary period of unemployment.

If, however, your employer has permanently closed, or if you're looking to change jobs or change careers, you'll have different actions to focus on.

Your First Step: Secure Your Finances

Regardless of whether the unemployment is temporary or permanent, your first step is to assess your financial situation. This includes both your personal finances as well as identifying any benefits due to you, either from your company or government sources.

PERSONAL FINANCES

Personal Finances

One of the biggest mistakes many people make after losing their job is not making immediate adjustments in their finances. With the uncertainty of the full impact of the Coronavirus pandemic, you could be out of work for four weeks, or four months. No one knows right now.

However, if you were already living paycheck-to-paycheck, there will likely be some impact on your finances. So the first thing you should do is adjust your lifestyle to fit your new financial reality ... at least temporarily. Conserve as much cash as you can.

Make a list of your current expenses (review your checkbook register, credit card statements, and/or online banking profile) and see what you can cut out. Determine which of your current monthly expenses must be maintained (mortgage and car payments, utilities, groceries) and which ones you can do without for now. The sooner you make these adjustments, the better off you will be.

Once you know what you'll have to live on (unemployment benefits and savings, for example), you can determine if you need to find other sources of income – for example, a part-time job. (This income may have an impact on your unemployment benefits, but you may need the money to carry you through until your unemployment compensation comes in, which could be 2-4 weeks or longer.)

If your unemployment stretches on for a while, you may need to cut back to only making minimum payments on your bills. While now is not the time to be holding a garage sale, you may find some things that you can sell for cash on Facebook Marketplace, buy/sell/trade groups, or Craigslist. (Be sure to minimize contact with buyers – for example, taking payment by PayPal, Facebook payments, or Venmo and doing porch pickup.)

PERSONAL FINANCES

Try to avoid tapping into your retirement accounts or selling stocks or mutual funds while the stock market is down. If you have a cash-value life insurance policy, you might consider tapping it for emergency cash, but remember you will have to pay interest on any loans you take out, and you'll want to pay the loan back when you are able to.

If you will have trouble making your mortgage payment or paying other bills (credit cards, auto loans, student loans), contact your lender. Many of them have forbearance programs which allow you to make reduced payments or skip payments (adding the missed payments to the end of the loan period).

You may also be eligible for special programs for the unemployed. For example, the "Home Affordable Unemployment Program" may reduce your mortgage payments or suspend them altogether for a period of time.

Your credit card company may reduce your interest rate or lower your required minimum payment due to a job loss. (If you have involuntary unemployment credit card insurance, your credit card company may cover the minimum payment if you are laid off for a specific period of time. However, charges incurred after the layoff are excluded.) Don't wait to explore your eligibility for these programs.

COMPANY RESOURCES

Company Resources

When you were furloughed, your company may have provided information about the benefits you have access to. If your company is continuing to pay part or all of your salary while you're at home, that should be specified in the information you were given. Likewise, if you are not being paid, you may be able to access accrued vacation or sick pay. If you have company-provided healthcare, find out if your company will continue to pay your premiums while you are unemployed. (Otherwise, you will need to secure temporary health care coverage.)

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) eased restrictions for accessing retirement account funds. The new law allows workers who are financially impacted by the Coronavirus pandemic to cash out up to \$100,000 of their 401(k) or IRA accounts. (Affected individuals are people who are diagnosed with COVID-19, their spouse or dependent. In addition, undiagnosed individuals can take a Coronavirus Related Distribution (CRD) if they suffered adverse financial consequences due to being quarantined, furloughed, laid off, having their hours reduced, or who were unable to work due to child care responsibilities due to the Coronavirus pandemic.)

The law waives the 10 percent early withdrawal penalties (if money is taken out before age 59-1/2) and gives qualifying individuals three years to replace what they took out or to pay the ordinary income taxes due on the distribution.

However, cashing money out of your retirement account is not recommended unless it's a last resort, as you will be sacrificing long-term growth of this money.

If you are furloughed from your job, you may not have to immediately repay any outstanding 401(k) loans like you would if you lost your job. (If you leave your job under normal circumstances – whether by choice or if your position ends up being terminated, if you are under 55, unless you repay the loan in full by tax day the following year, that loan becomes a distribution and you will pay a 10 percent early withdrawal penalty plus your ordinary income tax rate on that money.)

COMPANY RESOURCES

If you are furloughed from your job, you may not have to immediately repay any outstanding 401(k) loans like you would if you lost your job. (If you leave your job under normal circumstances – whether by choice or if your position ends up being terminated, if you are under 55, unless you repay the loan in full by tax day the following year, that loan becomes a distribution and you will pay a 10 percent early withdrawal penalty plus your ordinary income tax rate on that money.)

Note: If you had a previous loan against your 401(k), the CARES Act legislation does not apply to that loan.

GOVERNMENT BENEFITS

Government Benefits

If you were furloughed from your job, look into filing for unemployment benefits immediately.

The unemployment insurance system (UI) is a partnership of the federal government and state programs. Created in 1935, contributions are paid into the system on behalf of workers so they have an income if they lose their jobs. The basic UI program is managed by the states, although the U.S. Department of Labor oversees the system. States provide most of the funding and administer the benefit payments. Although states must follow federal requirements, they generally establish their own eligibility criteria and benefit levels.

Check and see if your state offers an unemployment benefits calculator. (A simple Google search can identify if one is available.) There are two types of unemployment calculators – one that tells you how much money you are entitled to collect, and another which tells you how many weeks you are eligible to collect unemployment.

You must meet eligibility requirements, but you can determine these from your state's unemployment office. You may even be eligible for benefits (even partial benefits) if you work part-time. You may also be eligible to collect unemployment benefits while you are collecting other benefits from your current position. Getting paid for unused vacation time you accrued normally does not affect your eligibility. However, you will not be eligible for benefits if you continue to receive your full salary and benefits your employer paid while you were employed.

Regular unemployment insurance benefits – in most states – run for 26 weeks (plus one unpaid “waiting week”). For people who have not yet found a job within that time frame, Emergency Unemployment Compensation (EUC) and Extended Benefits (EB) offer additional compensation. Each of these programs has a different deadline. Consequently, the number of weeks you are eligible for will depend on when you filed your original claim.

Your unemployment payment depends on your weekly earnings prior to being laid off, and the maximum amount of unemployment benefits available (this will vary by state). Unemployment benefits typically replace about half of your previous earnings, subject to a maximum benefit level.

GOVERNMENT BENEFITS

According to the Center on Budget and Policy Priorities, the average unemployment benefits nationwide was \$387 per week in February 2020. The maximum state-provided weekly benefit ranges from \$215 in Mississippi to \$550 in Massachusetts. (Some states offer higher benefits to jobseekers with dependents. Check your state benefit details to see if this is the case in your state.)

Because the benefit is subject to a cap, unemployment insurance benefits replace a smaller share of previous earnings for higher-wage workers than for lower-wage workers.

The permanent Extended Benefits (EB) program typically provides an additional 13 or 20 weeks of compensation to the unemployed who have exhausted their regular benefits in states where the unemployment situation has worsened dramatically.

You may also qualify for unemployment benefits from the impact of the COVID-19 pandemic if:

- Your employer closed
- Your hours were reduced
- You or someone in your household is quarantined
- You or someone you are caring for is “high risk” (older adults and/or persons with serious chronic medical conditions)
- You have a lack of childcare due to the Coronavirus (i.e., your childcare closed)

You may not be eligible if you quit your job because you are worried about contracting Coronavirus at work. Check with your state’s unemployment office before quitting your job. Each state’s guidelines vary. For example, in the state of Nebraska, you may still be eligible to collect unemployment benefits if you quit your job but have “good cause” for quitting – for reasons including (but not limited to), the conditions of work, compelling health reasons, or quitting to escape spousal abuse.

Note: If you stayed home from your job because you were worried about contracting Coronavirus, you may not be eligible for unemployment compensation. The CARES Act excludes individuals who have the ability to work from home with pay from collecting unemployment. It also excludes those who are currently receiving paid or sick leave.

GOVERNMENT BENEFITS

The CARES Act also provides supplemental unemployment compensation. The law provides emergency funding to states to provide an additional \$600 a week in payments – on top of regular weekly payments, as long as the individual is eligible to receive at least \$1 of underlying benefits for the claimed week – from the time a worker lost his or her job until July 31 as part of the Federal Pandemic Unemployment Compensation (FPUC) benefits. It also funds an additional 13 weeks of unemployment benefits for states, which typically cap unemployment benefits at anywhere between 12 and 30 weeks.

File your claim for benefits as soon as you are able to. Note that you will have to request benefits every week you want a payment, even if your application is still pending initial approval. File your claim weekly during your furlough.

Many states have a one-week “waiting period” before claims are eligible. (Georgia, Iowa, Maryland, Michigan, Nevada, New Jersey, Vermont, and Wyoming don’t have a “waiting week.”) At least 35 other states have waived the waiting period for Coronavirus-related unemployment claims, allowing eligibility for benefits immediately.

In addition, at least 27 states have waived the requirement that workers actively search for work in order to be eligible for unemployment compensation.

Although many claims are paid within a few business days, it may take 2-3 weeks for your first unemployment check to arrive (and these days, most claims are paid electronically through direct deposit to your account or to a reloadable prepaid debit card, instead of a physical check).

Under normal circumstances, unemployment insurance program provides benefits to people who:

- have enough employment to establish a claim
- have lost employment through no fault of their own
- Are ready, willing, and able to work
- Are actively seeking work

OTHER ASSISTANCE

However, as mentioned previously, the requirements to actively seek work have been waived in many states.

For the “actively seeking work” requirement, if you are unable to work due to the Coronavirus pandemic, as long as you stay in contact with your employer, and are available to return to work when asked, you satisfy the “work search, availability, and capability” requirements. If your current unemployment is not due to the Coronavirus pandemic, you still need to conduct a weekly work search; however, you do not need to accept work offered to you if you are under quarantine or if you have been instructed to stay at home (or are under a statewide stay-at-home order).

One thing you may not have realized is that unemployment benefits count as taxable income on your federal tax return. Unemployment compensation may or may not be taxable in your state. Check with the Department of Labor in your state for information. Most state unemployment applications allow you to choose to have state and/or federal income tax withheld from your payments. Make sure you set aside part of the money for taxes if taxes are not withheld from your payment.

You may be required to make quarterly estimated tax payments if you do not have taxes withheld from your unemployment benefit payments. Check with your tax advisor for advice.



WHAT IF IT'S TIME FOR A CHANGE?

You may also take this opportunity to change directions with your career. Because the provisions under the CARES Act do not require those receiving unemployment benefits to be actively seeking work, you could use this time to start a new business.

In 2012, the Middle Class Tax Relief and Job Act authorized \$35 million in funds to encourage states to enhance and promote Self-Employment Assistance (SEA) programs. SEA entitles unemployed individuals to claim jobless benefits while simultaneously gaining access to small business development assistance. An individual with a “viable” business plan can continue to receive unemployment benefits as long as they are working full-time to get a new company off the ground.

Under this program, individuals receive financial aid equal to their unemployment insurance benefits for a maximum of 26 weeks while they receive entrepreneurial training and other resources (including counseling and technical assistance) to help them launch a business.



WHAT TO DO NOW

Without a job to go to every day, your days may seem endless. (Unless you have children at home that you're suddenly in charge of teaching.) Work on projects that you've put off because you've been busy with work.

Think about where you want your career to be one year from now, and five years from now. Take the opportunity to move yourself closer to these goals.

Focus on personal development. Are there skills you can work on developing? There are opportunities to take online classes for free. For example, the eight Ivy League universities are offering hundreds of online courses to the public at no charge. Many other course platforms are making courses available online for free or low cost.

Check out:

- [ClassCentral.com](https://www.classcentral.com)
- [Coursera.org](https://www.coursera.org).
- [edX.org](https://www.edx.org).
- Rosetta Stone
- Alison

With many of the free courses, you can also secure a certification for an additional fee, which you can add to your résumé

YOUR RESUME

Speaking of résumés, now is also an excellent time to work with your résumé writer to update your résumé, LinkedIn profile, and other career search documents. When you're back to work and the economy is humming along again, you may find yourself wanting to look for a better job. Now might be the right opportunity to take the time to gather your accomplishments.

Seek support from others during this time. In-person gatherings are highly discouraged, but you can use technology like FaceTime, Skype, and Zoom to meet up virtually with friends, family, and even co-workers.

Be sure to take care of yourself during this time. Eat right. Try to get at least some exercise each day. Get plenty of sleep. Take advantage of the programs and services available to you, and be prepared for what's next.



Need expert advice and help?

Reach out to Silver Key Career & Business Solutions Today.

You can reach us here:

919-443-9049

hello@silverykeync.com

www.silverkeync.com