

The first 5 financial actions that you need to take when you lose your job

What are the first 5 financial actions that you need to take when you lose your job?

Everyone's personal situation will be different but it's important to carefully protect the financial resources that you do have, so you can get through this period between jobs.

1. File for unemployment benefits right away.
2. Understand your health-insurance options, including COBRA
3. Assess your emergency fund to determine how long you can go without having income coming in.
4. Reduce or eliminate discretionary expenses. Openly discuss your job situation with immediate family members and request their help in reducing expenses too.
5. If you have high or unmanageable debt, discuss your job situation with your lender(s) before you get behind on your payments.

Net Unrealized Appreciation (NUA): A huge potential tax savings, if it applies to your situation

- Must own, or be able to own, **employer stock** within your employer's qualified retirement plan.
- Special income tax treatment is available for in-kind distributions of employer stock as part of a lump-sum distribution.
- While the tax savings is potentially huge, there are lots of details to watch out for, so seek professional help. Your CPA is a good place to start.
- For an overview of NUA, go to http://money.cnn.com/2005/12/22/pf/expert/ask_expert/index.htm
- For more in-depth information, go to http://spwfe.fpanet.org:10005/public/Unclassified%20Records/FPA%20Journal%20February%202004%20-%20Contribution_%20Revisiting%20Net%20Unrealized%20Appreciation%20A%20Tax-Wi.pdf

Foreclosure Concerns

The problem

- Public notices of foreclosure trigger mail and phone solicitations from companies that claim they can "help."
- Avoid companies that:
 - Initiate such contact
 - Demand a fee before providing services
 - Advise cutting contact with the mortgage company

What to do instead

- Seek legitimate free or low-cost help as soon as possible
 - Contact a housing counseling agency that is certified by the Department of Housing and Urban Development (www.hud.gov/foreclosure or 800-569-4287).
 - Call the Homeowner's Hope Hotline at 888-995-4673.

Reverse Mortgages

Allow homeowners 62 and older to borrow against home equity and receive tax-free cash. The money borrowed plus interest is repaid only after the homeowner dies or moves out.

The problem

- Seniors are sometimes encouraged to take out as much money as possible so that fees and interest paid to lenders is maximized.
- The lender or its financial "partners" may seek to sell insurance products to seniors with the money gained from the reverse mortgages, further increasing interest and fees.
- Lenders promote using the cash from a reverse mortgage for travel or hobbies, eliminating an important safety net that might be needed for an emergency.

What to do instead

- Taking out a reverse mortgage is a big decision. A free session with a trained counselor can help evaluate all of the options. Contact a HUD-approved counselor (800-569-4287 or www.hud.gov/offices/hsg/sfh/hecm/hecmclist.cfm)
- Before signing anything, have all documents reviewed by a lawyer you trust.

Debt Settlement

Numerous online companies offer to work with your creditors to reduce your total credit card debt and help you get it all paid off.

The problem

- High fees. Companies typically charge up-front fees totaling 15% of the debt to be settled, a monthly service fee of \$50, and a contingency fee of 20% of the amount they have allegedly saved.
- Most consumers end up quitting these programs within the first two years, having received none of the benefits.

What to do instead

- Consider negotiating a settlement or payment plan directly with your credit card companies. Keep in mind that if you do successfully negotiate a settlement, you'll need to pay off the new lower amount all at once.
- Contact a nonprofit credit counselor through the National Foundation for Credit Counseling (www.debtadvice.org).

401(k) Rollovers, Getting Help with Investments, etc.

Who to call

- Ask your CPA for a recommendation of someone you can **trust**
- Fidelity Investments (1-800-343-3548) offers a wide range of services, including the ability to work one-on-one with their professionals.
 - M – W: 7 AM to 1 AM
 - Th, F: 7 AM to midnight
 - Sat: 8 AM to 10 PM
 - Sun: 8 AM to 1 AM
- Vanguard (1-877-662-7447) is a big proponent of “indexing” and typically offers funds with lower expenses. Telephone reps can discuss general investing principals and provide the company’s “We believe . . . “ statements but will not provide individualized advice.
 - M – F: 8 AM to 10 PM
 - Sat: 9 AM to 4 PM
 - Sun: closed
- T. Rowe Price (1-800-638-5660) has telephone representatives who will give their full names and extensions, allowing clients to speak with the same person each time if they wish
 - M – F: 7 AM to midnight
 - Sat: 8:30 AM to 5 PM
 - Sun: 8:30 AM to 5 PM

Credit Cards for Borrowers with Subprime Credit

Companies offer credit cards to borrowers with FICO scores below 660.

The problem

- Known as “fee harvester” cards, issuers offer super low credit limits while charging an annual fee, an account processing fee, monthly account-maintenance fees, online payment fees, and a fee to increase the credit limit.
- Some banks have been charged with failing to adequately disclose significant up-front fees and misrepresenting other material facts.

What to do instead

- Having a credit card is vital today. To help rebuild poor credit, get a secured credit card. You'll be required to make a cash deposit of \$300 to \$500 and should be careful to make timely payments after that. Shop around to find a card that has minimal fees and reports to all three major credit bureaus (www.bankrate.com/brm/news/cc/19990823.asp).

Uninsured Savings Accounts and CDs

Non-U.S. based "banks" offer high interest rates on savings accounts and CDs.

The problem

- These institutions may claim that the deposit is "guaranteed," when, in fact, your deposit is not FDIC-insured
- These institutions may not be banks at all.

What to do instead

- Contact the FDIC to find out if a bank you're considering using is insured (1-877-ASK-FDIC).

Tax Preparation

Volunteer Income Tax Assistance (VITA)

- Trained, IRS certified VITA site volunteers can help get the biggest refund to which you are entitled.
- Tax filers who made less than \$42,000 in 2008 may qualify for the Earned Income Tax Credit, an additional tax break.
- Call 860-673-9712 for appointments in Avon or call 2-1-1 for other appointments in other towns.

Prescription Drug Discounts

FamilyWize discount prescription card

- Available to everyone, regardless of income or employment
- Accepted by more than 200 participating pharmacies in this area
- Medication prices close to those offered to large insurance companies and employers
- To print a FamilyWize card or to view a list of participating pharmacies, visit www.FamilyWize.org