



Promoting Financial Health in a Time of Crisis

Center for Financial Wellness

Unexpected financial emergencies can easily leave someone feeling blindsided and helpless. The sudden change in your financial situation can be incredibly stressful.

No matter how stressful the situation, bills still need to be paid, lights need to stay on, and food needs to be on the table. If you've recently been struck by a financial emergency, there are steps you can take to cope while reducing the harmful financial impact.

Evaluate the Situation

As soon as you realize a financial emergency has struck, take a moment to sit down and carefully evaluate your circumstances. A little bit of panic is understandable—you have a million things running through your head and remaining calm isn't one of them. If you start skipping meals, you may be digging yourself deeper into your crisis, and required medication must be taken.

Prioritize Expenses

Not all expenses are created equal. Some bills need to be paid before others, and if you can't afford to pay them all, you need to organize the most important bills. Like the ones related to food and shelter.

Once you've established which bills are the most important, you can begin looking for expenses to cut back or cut out your budget altogether. This won't be a fun process, but the cutbacks will expedite your financial health.

You don't have to look for major cuts. Small savings can add up. If you find just five ways to save \$20 each month, you've instantly freed up \$100. That money can go a long way in addressing your financial health.

If You Need Help

If you're having trouble with credit cards, medical bills, or mortgage payments, contact us at www.creditcounselingwi.org we will provide you with guidance from professional counselor to help you deal with this financial emergency. Believe it or not, it's in the creditors best interest to help you make your payments. They'd rather get some money than none. Center for Financial Wellness may be able to help you get a lower interest rate or extending your payment terms. A common mistake is to wait until you're severely delinquent before contacting lenders, and by then they won't be as willing to work with you. If you know that money is getting tight and you might need help, contact us before you get behind on payments.



Promoting Financial Health in a Time of Crisis

Center for Financial Wellness

You may be surprised at how willing lenders will be to work with you. We can help with that. Your credit card company may be willing to lower interest rates, and in some cases, it may even temporarily delay payment requirements. Reaching out to your mortgage company can lead to a restructuring of your loan. Utility companies often offer programs to help keep the lights on and make payments affordable during times of sudden hardship. But all these options are a lot less likely to be on the table if you wait to act until threatening letters start showing up in the mail.

Find Extra Money

Ideally, you want to have some money set aside in an emergency fund to help pay for any unexpected expenses, but this isn't always a realistic expectation. So where do you turn when you've tapped your savings account?

You can always try to get a loan or use credit cards, but these may only make the problem worse. While taking out a cash advance on your credit card can provide quick access to cash, it can also come with high-interest rates and a new higher monthly payment. These payments can extend the timeline of your financial hardship, and if you borrow too much money, you may find yourself in over extended.

Another option could be to check with friends and family. Nobody likes to ask for money, but a little bit of help from a loved one might be all that you need to get through the rough patch. Of course, this can also put a strain on some relationships, so proceed with caution.

And finally, you may have some money available through investments or retirement accounts. Generally withdrawing money from your retirement accounts is a bad idea as it can put your retirement security in jeopardy. However, if borrowing the money through loans or credit cards would create an extended period of financial hardship, dipping into a retirement account could be your best option.

If you currently have a 401(k) or 403(b) where you work, check to see if they have a loan provision. If you take a loan from your account, you may be able to borrow funds without facing taxes and penalties (as long as you stick to the repayment plan). If a loan isn't an option, you may also qualify for a hardship withdrawal or even a regular premature distribution.

Touching your retirement savings should be a last resort. Anything you withdraw will be taxed at a higher rate than it would be in your retirement years. If you're younger than 59.5-years-old, most withdrawals from a retirement account come with an additional 10% penalty.



Promoting Financial Health in a Time of Crisis
Center for Financial Wellness

Take Advantage of Any and All Assistance Available

The government has created programs designed specifically to help people overcome sudden financial hardships. In the event of a job loss, you may be entitled to unemployment benefits. If your job provided health insurance, make sure you look into COBRA to see if you can maintain affordable health insurance.

Your taxes fund these programs, so make sure to take advantage of them if you need them and if you're eligible. If your hardship involves job loss, you may find helpful resources at your local community center. These centers commonly offer workshops and classes on subjects like resume writing, interviewing skills, and networking opportunities

Open a Separate Bank Account

Set aside separate funds from your normal account each pay period for future periodic expenses, like auto repair, travel, holidays and birthdays etc. Also include future financial goals like the down payment for a home, current home maintenance and repair, future vehicle purchases, education etc.

Planning for the Next Financial Emergency

You can take steps to diminish the impact for future. Start with an emergency fund. A good rule of thumb is to have enough set aside to make ends meet for a few months. That way, unexpected expenses won't force you to make difficult choices about basic needs. Don't get frustrated if you can't immediately reach your savings goals. Whatever you can save will help.

For more information about financial health and safety or

To schedule a financial health assessment,

Please call 414-482-8801