



When Financial Uncertainty Rears Its Ugly Head



Key Takeaways:

- Most Americans experience an event that causes their income and/or net worth to drop significantly.
- After a financial shock, review your situation and plan with a trusted professional.
- You can manage both your money and your mental state with a few smart moves.

As much as we like to think we're on top of our lives, unexpected setbacks and challenges can occur at any time. A sudden job loss, a terminal diagnosis or death in your family, a lawsuit directed at you, or a major disaster that wrecks your home or

other property may cause significant distress that throws you off your game—and puts your financial future in question.

And while having significant savings or an extensive resume might mitigate much of that uncertainty, affluence and experience don't guarantee that you'll completely sidestep financial issues that can turn your world upside down.

For example, by age 70, nearly all workers (96 percent) have experienced four or more major life events such as a layoff, illness or divorce that cause their incomes to drop 10 percent or more. What's more, at least once over the course of their working lives, six in ten workers go a full year or more without earnings, according to a study commis-



sioned by the National Endowment for Financial Education.

Depending on your circumstances, troubling moments such as these may not actually pose a true threat to your financial stability and security. But they can certainly make you feel like you're facing a crisis—which in turn can cause you to make money mistakes that can leave you in worse shape. And if an unexpected event actually does put you at financial risk, you'll want to deal with the situation right away.

With that in mind, here's a look at how you can navigate those (probably inevitable) periods of financial uncertainty and come out the other side in one piece.

ASSESSING THE DAMAGE

Regardless of what the unexpected financial shock is, quite often the best first step after it occurs is to reach out to a trusted financial professional with whom you currently work—such as a wealth manager or accountant.

The reason: When there are major changes in the status of your personal or professional situation, it's important to assess how those changes could likely impact your financial outcomes—and determine whether any changes or adjustments should be made to your existing financial plan and strategies.

The specifics of a financial review will depend on many factors, including the details of the new development itself as well as the complexity of your current financial picture and strategies. That said, some discussion points that are likely to be raised include:

- **Your budget.** If there's suddenly a lot less money coming into your household, it's imperative to examine the money that's flowing out—where it's going, how much and so on. If you already track spending, you'll probably see quickly which categories are musts and which ones are luxuries. If, like many people,

you haven't watched your inflows and outflows closely for a while, gather up your spending records and get that information down on paper (or spreadsheet) so you can see if any changes need to happen.

- **Your cash cushion.** Chances are, you have some sort of emergency or "stuff happens" fund in place. But is it adequate given the situation you're now facing? Cash cushions often rise and fall depending on how confident we feel at a given moment. If yours needs to be bigger, it might make sense to consider ways to raise cash or borrow to meet the demands of the moment—for example, by selling some equity holdings at a loss in order to offset future taxable gains.
- **Your insurance coverage.** If your house burns down or suffers some sort of catastrophe, you'll want to clarify—fast—what your insurance policy does and doesn't cover.
- **Your asset protection plan.** If someone gets hurt on your property and sues you, are you sufficiently protected? Many people aren't sure until they're in this type of predicament. Likewise, if your company or someone associated with it is sued, what (if any) asset protection strategies are in place—and how strong are they?

WHEN GOOD NEWS DOESN'T CUT IT

Let's say the news is good: Your current wealth planning has you well positioned to ride out the financial shock.

But while that may be true objectively, it might be difficult to *feel* it's true psychologically. When our lives are upended in a big way, the loss of control we experience can make it tough to believe we're okay—and that we'll stay that way.



The upshot: Often a big part of dealing with financial uncertainty is managing your emotional response and the resulting behaviors that response can elicit. If you find yourself feeling uncertain and anxious despite reassurances that you're in good financial shape, consider these action steps:

1. **Tap the usual suspects.** Do something you know can help calm the body and mind—yoga, meditation, running, weightlifting and so on. Seek out counseling or even a friend who is willing to listen to your concerns. The obvious moves are obvious for a reason: They tend to work!
2. **Control what you can.** When something like a death or job loss pulls the rug out from under you emotionally, you can look to exert control in other areas of your life to compensate. Say your financial worries persist even though you know you have a big enough emergency fund. Consider cooking more at home and reducing your restaurant spending, replacing some pricey excursions with hikes or visits to nearby parks and nature preserves, and being more price conscious when shopping. Actively choosing to take such money-saving actions, even if they're not necessary, can potentially be reassuring.
3. **Reframe the situation.** A sudden financial problem can make you feel like a failure—especially if it involves losing a job or business that you feel defines you. Try to remind yourself that most people experience exactly what you're going through (see those statistics above). Brush up on the many stories of hugely successful people who stumbled (or fell on their faces) along their journey. Put pen to paper and write down three things from each day that you're grateful for—a practice that can help your brain notice the

good and not just the bad. When you're not feeling buried under a mountain of stress, you may very well be able to make better choices that get you back on track faster.

IF THE NEWS IS BAD

That said, you might be confronted with not-so-good news about your situation. Perhaps you never put that asset protection plan into action, or you are taking a big financial hit right when college tuition payments are coming up.

In that case, it might be vital to adjust and regroup—getting help and guidance from one or more financial professionals along the way. Here are some potential action steps that could make sense:

1. **Prioritize, prioritize, prioritize.** What has to happen so you can pay the bills and, at the very least, get by for the next few months? Focus on those key tasks and press the pause button on the rest. If you are newly jobless, that could mean filing for unemployment or tapping into select assets for quick cash. If your spouse has died, get the ball rolling on survivor benefits from Social Security, his or her employer, and insurance policies. And if you've been putting extra money toward a mortgage or other debt payment, cut that payment down to the minimum required amount for now.
2. **If you need help, ask for it.** Some say the four most powerful words in the English language are "I need your help." Family members who can loan or give you money may jump at the chance to do so. Likewise, lenders, health care providers and others are often willing to work with people by adjusting payment terms and setting up extended payment plans—assuming you reach out to them before you've missed months of payments. Remember that most people experience some kind of fin-



financial hardship—so chances are that your relative, or even that person at the credit card call center, will be willing to work with you.

CONCLUSION

It would be ideal if we were always perfectly prepared for an unexpected financial and it's certainly possible that you're set up

for such a situation better than many other people out there. But it's also wise to recognize that we can be blindsided

at any time by news that makes it hard to know whether we're still on solid financial ground. If you're faced with such uncertainty, know that there are ways to regain much-needed clarity—and steps you can take to get back on track.



- We learn about you first.
- We build custom portfolios objectively.
- We engage specialists for advanced needs.

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