



## **Debt Busters**

### *Managing your Money Through the Recession*

*Eddie Hobbs*

*Since the publication in 2005 of *Short Hands, Long Pockets*, Eddie Hobbs's bestselling guide to personal finance, the global and personal financial climate has changed almost beyond recognition and the cold winds of unmanageable debt, negative equity and redundancy now blow through many homes.*

*In *Debt Busters* Eddie explains clearly and practically how to manage your spending and the money you owe – even if you feel overwhelmed by your level of indebtedness – and come out the other side in leaner and fitter financial shape.*

## **Chapter 15**

### **Coping with Job-Loss**

In a boom labour market there was nearly always a silver lining if you lost your job: a nice lump of cash in your hand, a few weeks off and another job just around the corner. It was easy to feel confident – the newspapers had beefy supplements with pages of jobs backed by websites offering thousands more. But all that has changed. Then you might have expected to spend at most three to four months' job-hunting. Now it is likely to take far longer to find a new job. If you have lost your job or are facing redundancy – although you may be very lucky and

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bounce back quickly – the best thing you can do right now is to plan. The worst thing you can do is do nothing but burn through your cash and hide from your debt until it escalates into a problem you may not be able to control.

Ned Maloney lost his job in April 2008 when his employer, a big building-supply firm, was forced to cut employment numbers by a third. Developers had started to run out of cash and were resorting to paying invoices by instalments. Cheques were beginning to bounce. As the company marketing manager Ned was defenceless and surplus to requirements. His employers put their hands deep into the company reserves and paid redundancy lump sums well above statutory minimums.

Almost a year later Ned is still looking for a job that matches his skillset. Like many other professionals who had a good job with a strong salary, he is now finding it hard to get meaningful work. Used to earning €120,000, including a €10,000 contribution to his pension fund, he made only token changes to the family's lifestyle, never visualising that he might be jobless a year later. Like many in his sector, he believed in the doctrine of the temporary dip before Ireland's insatiable appetite for property would recover. He finds that his redundancy lump sum of €50,000 and the family savings are close to being exhausted, and his wife is searching for a part-time job to keep them ticking over. Ned now realises that he was a classic case of someone who believes they will find work at the same salary level and continues living as he has always done – including going on holidays.

The family is facing very severe cutbacks in spending and Ned has to put together a debt-repayment proposal for their mortgage and car loans. He is kicking himself because he knows he could have stretched the family's assets out for at least

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another year with a bit more prudence and foresight.

Ned's story contains an important message. If you're one of the many people facing the loss of your job, it is best to plan for a much longer jobless period than during the past number of years, whether or not another income is coming into the home. That means putting a twenty-four-month plan in place instead of one for six months. Better to err on the side of caution today and slowly burn through available cash than blow it over a few short months in a forlorn attempt to maintain your lifestyle for the benefit of neighbours and friends. Remember it will take an austerity programme and at least two years before Ireland returns to growth, so you should plan accordingly. If, in the meantime, you manage to get one-off projects that bring in some cash or if you land some kind of job, that's a bonus. But just about the worst thing you can do is to pretend nothing much has changed – even though that's a perfectly understandable human reaction.

So what should you do? The first thing to do when you hear that your job is going is to take immediate stock of where you are financially. Do up a statement of affairs as suggested earlier. That means starting with a balance sheet summarising everything you own and you owe and then prepare an income and expenditure analysis for the next two years at least. Find a good home for your lump sum, paying the best possible interest rate. Because lots of Irish consumers are not willing to take time to shop around, half of all the money on deposit with banks earns only half the maximum possible interest. Time to squeeze the best you can out of the market. For instance, in early 2009, Northern Rock, now 100% British-government owned, was paying interest for on-line and on-demand deposits at double the ECB base rate. Competition changes, so shop around. Keep

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an eye on information from the Financial Regulator – [www.itsyourmoney.ie](http://www.itsyourmoney.ie) – or check out the money chat website [www.askaboutmoney.ie](http://www.askaboutmoney.ie).

When you are preparing your budget, pay particular attention to the discipline of separating necessary from optional spending. When you calculate your available cash from liquid assets and divide it by necessary monthly spending, you can then estimate how long you can keep going with the adjusted lifestyle you have identified. You may also be entitled to support payment from the state. If you happen to get extra cash, from odd jobs or short-term contracts, rework the figures before using the extra money to enhance your lifestyle. After calculating the level of support you need to plug the gap left by your state benefits and any other family income, transfer this amount from your lump sum deposit account to your main bank account once a month. This is the income you're paying yourself from liquid assetssectionAppendix 4.

### **Don't Put Budgeting on the Long Finger**

People often make the critical mistake of putting off the unpleasant task of examining their lifestyle and budgeting until after they take the holiday they always wanted. Ask anyone who has been working hard with nothing longer than a fortnight off for years and who faces redundancy. They will tell you that the first thing they want to do is to take a month off and do nothing. For some people this means a month during which they will look around for other jobs and network and plan while playing golf, but for others this month off is fatal. Being idle saps the energy, lethargy sets in and before you know it the month off has stretched out to six months. This is demoralising and breaks the

habit of work.

So get cracking on the household budget. Don't wait for the fateful day when you have no work to go to. You need to know what the impact of a loss of income will be. Use the budget form in Appendix 1 or any other one that works – the important thing is to do it.

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#### **About the author**

**Eddie Hobbs** is a leading financial and economics commentator, a regular contributor to radio and television programmes and the author of *Short Hands, Long Pockets* (Currach Press, 2005) and *Loot* (2006). His skill as a personal financial consultant was showcased in the RTÉ television series *Show Me the Money* and his commitment to consumer rights in *Rip-Off Republic*, also shown on RTÉ.

#### **About the publisher**

Launched in 2002, **Currach Press** quickly established a name as a leading independent publisher in all areas of Irish-interest non-fiction, including history, biography, lifestyle, cookery and business, as well as some illustrated books. Since 2005 Kerry native Jo O'Donoghue has been the woman at the helm. She enjoys dreaming up book ideas, commissioning, and working with authors to develop projects with a keen eye to the marketplace. Currach Press is happily commercial, numbering *How to Henparty: the Complete Guide* among its 2009 successes. Currach's autumn 2009 list is wide-ranging: from the political memoir of the late Nuala Fennell, *A Political Woman*; to *Kavanagh Country*, a collection of Patrick Kavanagh's poetry paired with superb specially commissioned photographs of Kavanagh locations; to *Candidate: the Election Diary of Susan O'Keefe*; to *Real Irish*



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*Ghost Stories*, spooky tales compiled by Ireland's leading paranormal investigator, Paul Fennell; to *My Mother Always Used to Say*, maternal wisdom as recollected by famous people and collected by Valerie Bowe. Among Currach's bestselling authors are Mary Banotti, Terry Prone and Eddie Hobbs. Currach Press also publishes the Father Francis Browne SJ collection.