

## **When Life Throws You a Curve Ball**

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Despite our best laid plans, sometimes we experience an unexpected change in our financial situation. Whether caused by job loss, a strike or major home repairs, you may wonder how you're going to keep paying the bills and put food on the table. Staying calm and rational will help you to assess your circumstances and options carefully so you can make better decisions.

### **Scrutinize Expenses**

Your expenses can be divided into two categories. The expenses you must pay to maintain your basic living needs include food, housing, and transportation. Purchases and activities which are desirable but not necessary include dining out, premium digital cable, deluxe wireless plans, and so on. Assess these voluntary expenses to find opportunities to reduce costs. Some obligatory expenses may also be adjustable. For example, if you're not commuting to work, you can reduce expenses for gas, parking and/or public transit.

### **Debt Payments**

The last thing you want to do is pay too much interest or maintain an unnecessarily high debt-load. Consider a consolidation loan to reduce your overall debt payments and interest costs. This can free up significant amounts to help you get through this difficult time. It may also be possible to reduce mortgage payments by renegotiating your terms.

### **Emergency Fund**

Financial experts generally recommend having three to six months' expenses in easily accessible cash or cash-equivalent assets, such as a savings account or money market fund. Approach other sources with caution. For example, RRSP withdrawals are subject to withholding tax, and the amount withdrawn will no longer be growing for your retirement needs. During a time of financial stress, this may not seem important, but the impact on your long-term financial well-being can be significant. Instead, consider withdrawing funds from a Tax Free Savings Account, if available; such withdrawals are not taxable.

### **Borrowing**

Although borrowing may be the only option in some cases, incurring extra debt at a time of financial emergency is generally not recommended, especially with a loss of income. Adding extra interest costs can make your situation more difficult and stressful. If absolutely necessary, use an existing line of credit instead of credit cards; interest rates for lines of credit are generally much lower, making it easier to repay the debt as you recover. Some life insurance policies allow for borrowing or withdrawing the policy's cash value; these options should be considered if available.

**The Next Emergency**

Following these strategies will help you to get back on solid financial ground as soon as possible. We C.U. to help you assess your overall financial position and emergency fund needs. Having a plan in place will help you approach your financial goals - and life in general - with less worry and stress, knowing that you have a safety net to catch you.

Want to learn more about financially readiness strategies and others why not give Ontario Civil Service Credit Union a call at 1-888-516-6664 or email them at [memberassistance@mycreditunion.ca](mailto:memberassistance@mycreditunion.ca).

For more information on The Credit Union and other interesting articles please visit their website at [www.mycreditunion.ca](http://www.mycreditunion.ca).