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## Managing Your Finances During a Furlough

For the most updated information on the Shutdown and how it impacts Coast Guard members and employees, please visit: <https://www.dcms.uscg.mil/budget/FAQ/>

Incorporating furloughed days into your personal budget may seem like a challenging task today. The best laid plans for paying bills on time, saving regularly and keeping credit in good shape might be put to the test. Having a strategy to address anticipated financial issues will help you feel more in control of your money management decisions. You may have to temporarily make changes in the way you handle your finances, but by following these steps, you'll be more likely to get quickly back on track when the furlough period is over.

- Step 1: Understanding the Details – Find out the Specifics of Your Furlough
- Step 2: Crunch the Numbers – Assess Your Current Situation
- Step 3: Get Lean – Prioritize Your Spending
- Step 4: Supplement Your Income – Look into Getting a Temporary Part Time Job
- Step 5: State the Facts – Communicate with your Creditors
- Step 6: Avoid the Credit Trap – Handle Credit Issues Wisely
- Step 7: Don't Go at it Alone – Tap into Community Resources

### Step One: Understand the Details

*Get the Facts About your Furlough.*

Chances are that if you are being furloughed, your company will sit down with you individually or in a meeting to explain how the furlough will work. This is the perfect opportunity for you to ask questions and ensure that you are fully informed. If you later discover new questions that you need answers to, don't be afraid to contact your Human

Resources Department. Some of the questions you might want to consider are:

- What days and hours will I be furloughed?
- What do the reduced hours mean as a percent of my take home pay?
- Will I still receive company sponsored health insurance?
- Does the furlough impact my 401k or other retirement programs?
- Can vacation days be used in lieu of furlough days?
- Do I still earn vacation during the furlough period?

### Step Two: Crunch the Numbers

*Assess your financial situation to make good decisions during difficult times.*

Getting organized is the key. Being organized helps you review your options efficiently and effectively. You'll feel more in control and better able to take positive action steps. While it may be uncomfortable to deal with the hard facts, it's best to avoid the "hide your head in the sand" reaction. Stay in charge of the situation by getting a clear understanding of what's happening. Track your spending, especially the smaller cash expenses that you don't normally account for. Carry a small notebook for several weeks to capture accurate spending patterns.

- Include everyone in the household to account for ALL spending.
- List your credit cards, loan payments, medical bills, and other debts.
- Record the amount of income you have from all sources.

### **Step 3: Get Lean**

*Roll Up your sleeves and sharpen your pencil.*

#### **Evaluate your spending.**

Take your completed expense/income list and identify the top priorities. Are there more than one of you earning and spending money in the household? Include everyone. Make this a family activity so that everyone is on the same page if changes need to be considered.

#### **Compare total income to total expenses.**

If there is more money going out than coming in, you will need to make changes. Take your completed list of expenses and identify the top priorities. Increasing income or decreasing expenses are the only two ways to resolve this problem. Easier said than done, but those are the facts!

#### **Consider needs vs. wants.**

You'll want to cover basic needs such as housing costs, utilities, food, transportation and critical medications first. As you draw up your own unique list of what's most important to you, you may also need to consider making some lifestyle changes.

If in doubt, ask yourself – "Do I absolutely need to spend money in this area or is there some flexibility here?" You may not have to eliminate an entire area. Look for creative ways to reduce spending, such as getting movies and magazines from the library.

#### **Create your new spending plan.**

Create a plan for spending and bill paying that covers several months. Review and revise often.

#### **Acknowledge that this is hard work.**

Give yourself credit for doing a tough job! You are taking control of the situation and directing where you want.

### **Step Four: Supplement Your Income**

*Other than cutting back on your expenses, the only other way to compensate for the loss of income is to add new income.*

#### **Be creative.**

Finding supplemental income during your furlough period might be challenging, but here are a few ideas for adding income:

- Have a garage sale – clean out your attic, basement and closets at the same time.
- Sell unwanted, larger ticket items through the newspaper or online.
- Offer to watch children, walk pets or house-sit.
- Turn your hobby into income.
- Have untapped teaching skills and expertise? Tutor students, give music or sports lessons.
- Become a mystery shopper. Retailers are desperate to check how their in-store customer service is and will employ you to shop and rate their service.

### **Step Five: State the Facts**

*If late or missed payment become a reality, let your creditors know.*

#### **Don't avoid talking to creditors.**

If falling behind on payments is a sure thing, let your creditors know and inquire about any special hardship programs or reduced payment arrangements that may be available. Many creditors have programs in place that could help you.



### **Have a plan in place.**

Most creditors respond positively when you present a plan to get back on track – even if it will take several months to do so. You want your creditors to know you take your responsibility to pay them seriously. Utilize your adjusted spending plan to help you put a plan together.

### **Payment arrangements should be realistic.**

In the heat of the moment, you may feel like you need to agree to an arrangement just to get off the phone, but be careful. If you agree to a payment plan, it should be an amount that fits into your adjusted spending plan. Don't make promises that you know you cannot keep.

### **Prioritize your creditor list.**

Consider Your Mortgage Priority #1. There are many options for financially-stressed homeowners, but in all cases, you will need to work with your mortgage lender to find the right solution.

### **Concerning collection agencies.**

The Fair Debt Collection Practices Act (FDCPA) governs the actions a third-party collection agency can take when collecting a debt. It applies to personal, family and household debts. This includes money you owe for the purchase of a car, for medical care or for charge accounts. The FDCPA prohibits debt collectors from engaging in unfair, deceptive or abusive practices while collecting these debts.

### **Under the FDCPA:**

- Debt collectors may contact you only between 8 a.m. and 9 p.m.
- Debt collectors may not contact you at work if they know your employer disapproves
- Debt collectors may not harass, threaten or use foul language
- Debt collectors may not lie when collecting debts, such as falsely implying that you have committed a crime
- Debt collectors must identify themselves to you on the phone
- Debt collectors must stop contacting you if you ask them to do so in writing
- Debt collectors must send you written verification of the debt within 5 days if you request it

### **Step 6: Avoid the Credit Trap**

*Concerns regarding credit may pop up at this time.*

#### **Don't use credit to supplement your income.**

What seems like a safety net can become a tangled web. It is tempting to rely on credit cards during a time of income fluctuation, but adding to your overall debt load can spell trouble if it takes a while to get back on track.

#### **Watch the cost of short-term credit solutions.**

Payday loans, cash advances, and title loans carry high fees and interest rates. There are serious consequences if you cannot pay them off quickly.

#### **Yes, your credit score may suffer during this time.**

Missed payments do get reported to the credit bureau and can have an impact on your overall credit history. However, during a time of financial stress, that becomes secondary to taking care of the basic necessities for your family. It's important to keep things in perspective.

#### **And yes, your credit score can improve.**

The good news is that as soon as you are able to make on time payments again, you will be doing one of the most important things you can do to rebuild your credit. What you are doing today has more impact on your credit score than what happened in the past. The longer something is on the report, the less it influences your score.

### **Check your credit report.**

You are entitled to one free copy from each of the three credit bureaus every twelve months at [www.annualcreditreport.com](http://www.annualcreditreport.com); the official website for free reports. Checking regularly keeps you informed about how your credit activity is being reported. It can also alert you to fraud or identity theft problems. It's important that you know what's on your report for many reasons, but one is it could affect your job prospects. Some employers include credit checks as part of the employment process. And contrary to a popular myth, it does NOT hurt your score when you ask for a copy of your report.

### **Step Seven: Don't Go at it Alone**

*Programs exist that can help you.*

#### **Identify community resources.**

If this is the first time you've experienced a job loss, you may not be aware of the network of services available to help you. This includes help with employment searches, basic needs like food or utilities, health care, and legal services.

Contact your local information and referral hot line (in many communities, it is 211) or your local United Way office to get information about programs that can address your needs.

#### **Use caution if considering debt settlement.**

Debt settlement is a process through which your creditor accepts less than the full amount owed, yet considers the debt as paid. Although there are companies who offer this service to you for a fee, you should also be aware that you may be able to work directly with your creditor to arrange a settlement. In all cases, you should consider all other options for paying the balance in full before choosing to settle a debt.

#### ***Two Important Issues when Considering Debt Settlement Are:***

**Impact on credit score:** Debts paid off as part of a negotiated settlement will generally show "Paid by Settlement" on a consumer's credit report. If you later apply for new loans, the prospective lender(s) will know that your repayment did not cover the total debt that you had accumulated. Your credit score is based on information contained in your credit report, with the highest consideration given to payment history. If you're not repaying the creditor, have missed payments or paid a debt through settlement, it could show on your credit report and potentially lower your credit score substantially.

**Tax consequences:** Forgiven debt has the potential of being considered as income. Any amount forgiven above \$600 is taxable. In that case, you will receive a 1099 form from the creditor(s) and will need to report that to the IRS when you file your taxes.

**Ask the right questions.** If you are considering working with a debt settlement company, you will want to review the company's record with the Better Business Bureau and the state Attorney General's Office. In addition, you should ask the following questions to have a clear understanding of the company's policies and procedures:

- What fees will I be charged?
- How and when will my creditors be paid?
- How will the settlement be reported on my credit report?
- Will the forgiven portion of the debt be considered taxable income?

**Bankruptcy is a last option.** Often during financially difficult times, people feel they have no other option but to file bankruptcy. While bankruptcy provides protection from your creditors and can be the right decision for some, you should consider all other options available to you first. A Certified credit counselor can help you review your situation and consider possible solutions.

As mentioned at the beginning of the article, for additional information on the shutdown for CG Employees, please visit this site: <https://www.dcms.uscg.mil/budget/>

For more information regarding your financial services, contact CG SUPRT at 855-CG SUPRT (247-8778) Toll Free, 24/7. You can also confidentially request assistance or chat online at [www.CGSUPRT.com](http://www.CGSUPRT.com).