

Disaster Relief

Managing on a Suddenly Reduced Income



A sudden loss of family income can be traumatic. Here are some positive steps you can take:

Examine family resources.

- Determine your current financial position by identifying income and other assets you can easily convert to cash.
- Identify skills and resources you can use to cut costs, earn money, or trade for needed goods and services.
- You may need to use emergency savings or take out a loan.
- Consider applying for disaster assistance from FEMA (1-800-621-FEMA or <http://www.fema.gov> or emergency food stamps).

Control spending.

- Identify critical needs (food, shelter, essential clothing).
- Develop a realistic, flexible family spending plan.
- Separate expenses into fixed and flexible groups. Give higher priority to fixed expenses, including mortgage payments, rent, installment credit, and medical and life insurance premiums.
- Flexible expenses, such as food, utilities, clothing, recreation, and household expenses are easier to adjust.
- Agree to discuss purchases over a certain amount with other family members before purchasing.
- Avoid buying on credit.

- Use community resources.
- Make a shopping list and stick to it.
- Comparison shop.
- Buy specials.
- Use coupons.
- Shop at discount and dollar stores.
- Seek cash discounts.
- Substitute lower priced items.
- Keep insurance coverage. Problems from stress may increase your need for health care.
- Do not postpone essential medical and dental care. This may prove costly in the long run. Health care professionals may be willing to negotiate a payment schedule if you ask in advance.

Maintain debt payments.

- Don't neglect regular payments on consumer debt. Your largest and most important payment is likely your mortgage. If you can't manage it, contact your lender immediately to negotiate a repayment plan. If possible, schedule an appointment, and talk personally to the person in charge.
- Contact other lenders to propose repayment plans.
- Another solution may be to refinance a loan, contracting for smaller payments over a longer time.
- Avoid high-cost alternative lending institutions.
- Consider bankruptcy only as a last resort. It remains on your credit history for 10 years and jeopardizes your credit score.

Set payment priorities.

If you can pay some debt but not all, pay those bills that—

- are vital services (utilities, phone, transportation, insurance).
- have the highest interest rate.
- cost the most to postpone (late penalty, repossession, or disconnect/reconnect charges).
- may be aggressively collected.

Control stress.

- Be extra patient with yourself and others.
- Share your grief with a caring friend, family member, or minister.
- Don't expect things to immediately return to normal.
- Eat nourishing foods and get plenty of rest and relaxation when possible.
- Focus on the big picture rather than the small details.
- Help others when possible. It will make everyone involved feel better.
- Think positively.
- Avoid the tendency to resort to bad habits. Check out resources and assistance programs. Many federal, state, and local resources help people coping with lower income after a disaster.

Check out these sources:

- FEMA
- Department of Social Services
- Department of Labor
- Red Cross
- Churches
- Salvation Army
- United Way

After Recovery

Resist the urge to overspend to “catch up” on all of the things you have put off buying and doing. Repay debts you may have incurred during times of hardship. Build an emergency fund for challenging times.

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