

Savings for Rainy-Days and Contingency Planning

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Step Five - Savings for Rainy-Days and Contingency Planning

Starting Your Budget Plan Control the Small Stuff Slippage First.

To Budget is to Control Your Money in order to acquire peace of mind (and some luxury).

So Why is it such a challenge working with a budget?

The word budget has negative connotations for most people, on a conscious and subconscious level. The thought of a developing a budget immediately brings forth visions of constant denial of what we want, guilt about spending too much, or represents just one more thing to do at the end of the day; let's face the truth, we hate it.

We also tend to think on a short-term basis, thoughts heightened incrementally faster and faster given the overall social/business media expectations for 24-hours a day of every conceivable information sound-byte. It is much harder for most people to consider a goal, then focus on that same goal for days, weeks, months, and years.

We have become more attention deficit with each new generation – my opinion only, of course!

Yet, all statistics being on scale, some individuals manage just fine financially without a planned budget, while the rest of us may have problems just keeping track of the last ATM withdrawal.

Why is this important part of our financial lives just so easy to ignore?

Daniel Kahneman, PhD, 2002 Nobel Memorial Prize in Economic Sciences, in his research on the psychology of human judgment, financial decision-making, and behavioural economics, found that we have certain biases toward money choices. We tend to compartmentalise spending decisions by placing unequal values on the same sum of money - say \$600.

We do not perceive a difference in choices, but there is actually quite a difference.

We won't hesitate to purchase a new designer bag or make a credit card down payment on a finely tuned timepiece or jet off to a Las Vegas vacation.

Yet, when it comes to using the same amount - \$600 - for groceries, we agonise over every item in our food basket. Yes, food is costly in Bermuda. All the more reasons to be sure you are getting your nutritional food's worth for every dollar you spend.

Other examples:

We treat ourselves to takeout lunch, sometimes breakfast and takeout dinner, too - on bad days and good days both. Costs can run upwards from \$20 plus per lunch dine alone, ignoring the fact that two slices of bread with an inexpensive filling (egg salad, cheese, peanut butter) costs a fraction of that lunch and far less time.

We will whine about the price of one loaf of bread (\$7+/-) or commercial popcorn offerings, for in-stance, without considering that an entire five pound bag of flour (costing about same or less) with water, a bit of sugar and yeast produces at least eight to ten loaves of bread, home made - no artificial ingredients or preservatives. One-half cup of Popcorn popped by hand at home completely fills a 4-quart pot for an incredibly lower cost. No butter, of course.

As investors, we can be subject to huge emotion-based decisions in reaction to volatile price swings in investment markets - the proverbial "sell at the low, buy at the high price" impulse. Individual investing topics are detailed in BIFFPP SERIES Two Into the Winds of Change: The First Bermuda Investment Primer coming soon.

Our erratic money decisions simply mean

that we are human, not perfect.

It is true. None of us, whether we have cash flow surpluses of millions or just a few dollars left at the end of the week, enjoys disciplining ourselves to live within our means.

It is just not that easy!

We need to develop a positive attitude to our personal budget, treating our personal finances as a business, with a profit motive, rather than thinking of it as dreaded homework.

Because when we are in control of our finances, that uncomfortable feeling of having to live up to out-side expectations will no longer subliminally influence how we perceive ourselves.

And, that is a good feeling!

Before you even begin to undertake setting up a formal budget, let's fight the frustration of not getting ahead by starting small, easy-to-achieve financial goals.

Small Stuff Savings (Instead of Frittering Cash Away)

\$ DOLLARS SAVED per month	Type of Cost Savings
8	Subscribe online to magazines rather than newstand purchase.
40	Hang eight laundry loads outside instead of dryer @5.00 per load
40	Drink filtered tap water – 30-40 cans soda per month @1.00 per can
128	Take the bus/ferry twice a week – @ 6.00 round trip per trip over parking and driving each day \$22 per day minus \$6 = \$16 per day savings = \$20 TIMES 4 = \$80
24	Serve one meatless meal each week @ 6.00 per pound average
64	Pack a homemade lunch, twice a week i.e. egg salad/apple/banana savings 5.00 per lunch over purchased lunch varies between 9.00 and 15.00 = 12 TIMES 4 = \$64
50	Shop Thrift stores for books, school uniforms, jeans, party dresses, children's toys, DVD's, tapes, etc. per month
20	Buy groceries on discount day Wednesday – 5% on \$400 = \$20
20	Pay BELCO before discount date 5% on balance of 400
80	Cut back on cigarettes, two packs a week @ 10.00 = 20 TIMES 4 = \$80 better yet, QUIT!
140	Avoid afternoon snack break - coke, coffee, chips, candy @ 7.00 for 5 working days a week = \$35 TIMES 4 = \$140 this goes for KIDS, too!
40	Use prepaid phone cards – when they are gone they are gone each month Estimated Savings off bill - you figure out what you can save!
20	Grow your own flowers – take cuttings with permission – dip in Root grown @ 12.00 a jar savings over potted plants 2 - per month @ 10
12	Grow your own bananas – ask a friendly neighbour for a few roots savings Monthly - @ 3.00 per pound for 4 pounds
10	Grow tomato sets in pots or recycled coffee cans – average 12 tomatoes per pot @ 4.99 per pound 2 pounds a month
60	Buy washable suits (made of polyester and triacetate blends) instead of drycleaning – women only, unfortunately – savings \$60 per month and rayon/hon silk shirts
28	Buy men's high grade polyester/cotton shirts – iron at home, savings per week One hour ironing @ 5 compared to 12 = 4 SHIRTS a week TIMES 5 TIMES 4 = \$20
\$784	Estimated monthly savings total

And you thought you could not save anything.

We didn't even discuss eating out less, drinking one less glass of wine, beer etc.
Bet you can come up with even more savings than this if you make this part of your goals.

\$784 a month - NOT PEANUTS !

\$392 a month - STILL NOT PEANUTS!

Things You Can Do Immediately to Increase to Increase Cash Inflow!

Control Small Stuff Slippage

Set up an automatic savings plan

Increase your voluntary pension contribution

Take the cookie jar challenge

Find a side hustle

1. Set small “stuff” budget savings goals. Just for a month, skip buying coffee, tea, soda, snacks, breakfast and lunch out, cigarettes (yes, I know that will be difficult), drinks after work, etc. by putting that amount into your piggybank. See the estimated chart above and develop one for your lifestyle!

Yes, a literal piggybank. Count up that small change at the end of week. Not so small now, is it?

At the end of the month, Deposit this “small stuff” money in a statement savings account, or an accumulator small minimum investment account. No spending splurges now! Before you know it, you will be able to start an investment savings plan for the long term. A number of local investment firms offer start-up minimum investment accounts. More on those offerings in the Investment Section.

2. Set up an automatic savings plan through payroll deductions or standing orders. You won't miss a 1%-2% deduction, will you? There are numerous firms in Bermuda that offer this type of regular contribution to a savings or investment contribution plan. If your employer does not, be determined to

place that 1% in the cookie jar, too. You can do this!

2% of a \$60,000 paycheck X 20 years, even with no interest earned is \$24,000. And it could be significantly more!

3. How is your pension performing? Can you afford to gradually increase your voluntary contribution over time, at even 1% of your gross salary per year? Your pension is managed by experienced qualified internationally certified investment professionals with a mandate to appreciate your pension for the long-term. This savings won't go in the cookie jar, but you know it is there!

20 years in your balanced* pension fund choice can potentially be an added \$19,500 or even more! * Based on average rate of return of conservative portfolio returning 3.5% annually.

Mortgage Payoff Success story.

He had an additional 2% of his gross salary withheld under the employee voluntary contribution offering for the Bermuda National Pension Scheme when the plan started in 2000. He is retiring in three years. His voluntary portion has grown substantially, so much so that he has accumulated enough to pay the remaining balance of his home mortgage.



30 Day Money Challenge

DAY	DEPOSIT	BALANCE	DAY	DEPOSIT	BALANCE
1	\$1	\$1	16	\$16	\$136
2	\$2	\$3	17	\$17	\$153
3	\$3	\$6	18	\$18	\$171
4	\$4	\$10	19	\$19	\$190
5	\$5	\$15	20	\$20	\$210
6	\$6	\$21	21	\$21	\$231
7	\$7	\$28	22	\$22	\$253
8	\$8	\$36	23	\$23	\$276
9	\$9	\$45	24	\$24	\$300
10	\$10	\$55	25	\$25	\$325
11	\$11	\$66	26	\$26	\$351
12	\$12	\$78	27	\$27	\$378
13	\$13	\$91	28	\$28	\$406
14	\$14	\$105	29	\$29	\$435
15	\$15	\$120	30	\$30	\$465

Voila! He and his family will own their home, debt-free. He never missed that 2%, saying that he felt better investing in his house than frittered away on mindless consumption.

4. Take the cookie jar challenge. \$5 per day for 30 days = \$150; or if you feel particularly invigorated, deposit in the jar, the monetary amount of each numbered day of the month, e.g. \$1 - day 1, \$2 - day 2, \$3 - day 3. This plan is harder, given the last week, \$28 - day 28, \$29 = day 29 and on = \$465 in thirty days. Even half of that, each month is significant. Annual Accumulations. \$150 a month times 12 months = \$1,800

\$465 a month times 12 months = \$5,580 or half = \$2,790

Will you really miss that money? No, because we waste money every day without even thinking about it, don't we?

Source: SavingAdvice.com 30 Day Create a Money Saving Habit Challenge by Jeffrey Strain, 2015Jan08

More income producing ideas to increase your monthly cash inflow.

Searching income producing or cost savings websites reveals endless generic (and some very innovative) lists of income producing ideas, but what may work elsewhere may mean tailoring the product or service to our Bermuda environment.

Pessimists may feel that it just can't be done. Bermuda still recovering from prior tough economic times while set back again from unanticipated COVID protocols. People are still unemployed; or working in static little advancement current jobs.

However, there may be just as many of you hopeful for a better future and determined to become successful. Don't we all want to see better days ahead?

Truism.

I am ever the optimist; I firmly believe that you can take control of your finances. You just have to try no matter what to find your way out of your current financial position.

You need to be optimistic, too, by being alert to all opportunities. You want to be the one that provides that help and gets paid for it.

Fortunately, there are certain numbers of individuals still employed in our workplace (since our econ-omy must still function). The price of having a job, though, is longer hours than ever - 60-80 hours a week - accompanied by lots of stress.

Career individuals may need some outside assistance to stay on track - say, from various service providers - due to the ever-present demands of their jobs.

Think about what these people need.

What they cannot do for themselves because of job priorities.

Take on a part-time job or start a new service.

Explore products or services that will make their hectic lifestyles a bit easier.

Use the five-cornered approach to earning extra income:

1. Do whatever the job needs doing.
2. Analyse and innovate - figure out what services / products are in demand, understand and carefully research your market for products that will sell again and again.
3. Be Consistent; quality in service delivery - above quantity
4. Be Persistent; never stop give up.
5. Have Confidence and Belief in yourself, your faith, and your destiny.

Here are some more ideas to make extra cash.

I've culled them from various resources and reader feedback and have only featured those that appear workable in Bermuda with a caution that other types are generally a consideration, but not workable in the current environment.

It won't be easy to do this, is it ever? But, you can!

- Bookkeeping, remote
- Baby sitting
- Eldercare relief for primary provider
- Home-prepared meals or novelty baking items
- Concierge services, anything and everything for busy families
- Tutoring, remote
- Personal Coaching, remote
- Word processing and graphic design at home, remote
- Personal shopper
- Caterer, specialty parties
- Crafts
- House sitter
- Salon nails
- Furniture, small household problem repairs (Mr/Mrs Fixit)
- Dog Walker
- Animal groomer
- Vendor stall
- Boat cleaning services
- Home cleaning and small maintenance
- Use e-Moo / other to sell unwanted items
- Shop yard sales for resale
- Rent your things: lawn mower, bicycle, paddleboard, sewing machine, and

even work/attire clothes, shoes, etc. If Nordstroms can do it, so can you!

- Rent a room, or Rent your home
- Internet consulting gigs of all kinds: website review/production, writer, graphics, book editor/formatter/translator, video/audio consulting, and so on
- Landscaping, garden design, stone wall creator
- Part-time jobs operate after regular business hours, i.e cashier, wait staff, gift shops, newspaper delivery
- Buy dividend-paying Bermuda stock positions and become a small investor. First, however, you need to have an investment portfolio account, and if you don't, you have to find the extra money to start one. Go Back to square one above to start your savings plan.
- Start up a side business.
- Leverage off existing jobs. Many part-time positions can grow with you, but continuing education is key to that growth. Online universities and the Masters world is replete with free courses.** Take them.

Entrepreneurship is touted in Bermuda. Be your own boss; work your way from your bedroom to a major store front.

The key concept - give people what they want at reasonable prices with good service.

How easy is that?

Caution. Startups need planning, for both best and worst outcomes; not as easy they seem. Startups need cash, particularly, if you plan to sell merchandise. Know your client market. Little to no sales, no profit. Keep up with trends. Surf Instagram, Pinterest and other social medias for product ideas.

Look for retail or service niches that require little initial cash outlay. This concept is important as many self-starters fund costs for a new business right from their savings, then still have to borrow from the bank.

Start small, carefully, and conservatively. If you are close to retirement wanting to own your dream business - be extra, extra cautious. You may not have the resources to recoup your investment if the business does not succeed, thereby, impairing the quality of your retirement.

You never want to use your home as collateral for a business loan.

And, be sure to comply with Bermuda regulations for food preparation, vendor licenses / registration, payroll taxes, pension contributions, and so on.

More income producing and saving tips can be found at popular websites by typing "small stuff, frugal living, money savers, penny pinchers, etc. the list is unlimited. Use your imagination.

Talk to your elderly relatives - your grannies, gramps, aunties all, they know the value of extra income, cost cutting and saving! How do you think they managed to survive?

Keep in mind, too, that Bermuda still has numerous foreign workers employed in jobs where Bermudi-ans do not have the current skills and / or may not feel they want to do the work. The answer, then, if you want to improve “your lot in life” as us oldsters often say, then you do have part-time work op-tions to get ahead.

More ancient wisdom. “Some money is better than none.”

Seriously consider taking that lower paying part-time job. It may not be the job you want, but it brings in extra cash, and while looking for a job, is better than unemployment. Learn those skills and then aggressively lobby for a job upgrade or find a new position.

Warning! Never leave your old job - until the new job is absolutely secured! You could lose your health insurance and other benefits.

Taking on, at least, temporarily a job that you normally would not want is a way to meet your goals:

- Build the cash cushion you need for the future.
- Get the education you want.
- Start the business you want.
- Acquire the home you want!

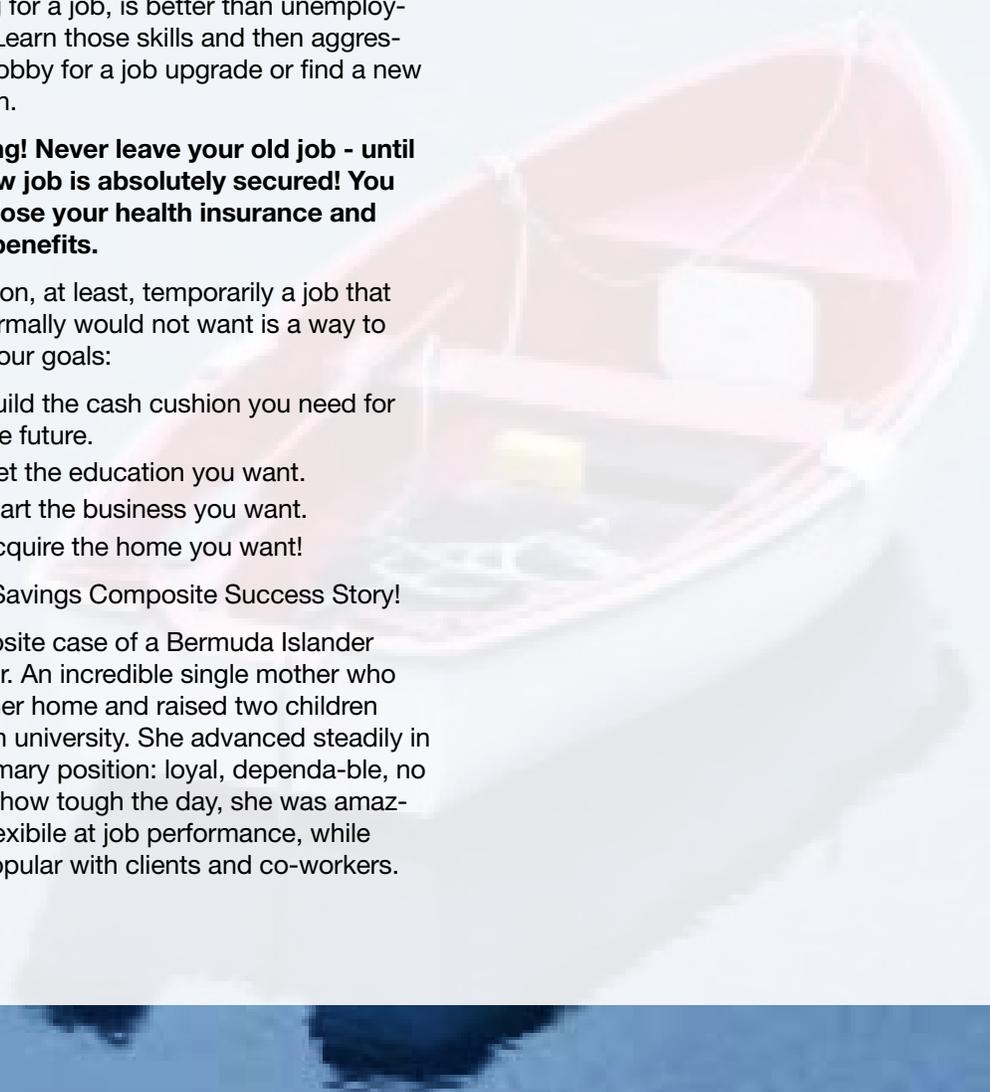
Small Savings Composite Success Story!

Composite case of a Bermuda Islander survivor. An incredible single mother who owns her home and raised two children through university. She advanced steadily in her primary position: loyal, dependa-ble, no matter how tough the day, she was amazingly flexible at job performance, while very popular with clients and co-workers.

Just about every evening around 6pm she headed off - not home - but to her second job as a cashier. “You see,” she once said to me, “my second job is my safety net. It has provided the extra income to pay my mortgage down faster, educate my children through university, and it is a great meeting place for social contacts.”

Small financial goals can be achieved, allowing you to dream of attaining your financial success.

Keep at it.



Setting up a Bermuda Rainy Day(s) Savings Ladder

Year and Estimated Interest Rate Breakdown

	amount	interest rate
less than one year savings a/c	accumulate up to \$3,000 or more	0.01%
1-2 years term deposit	transfer 1,000	1.50%
3-4 years term deposit	transfer 1,000	1.60%
5 years term deposit	transfer 1,000	1.75%
second 5 year TD	transfer from the 1-year matured	?? 2.00%
third 5 year TD	transfer from the now matured 2-yr TD	?? 3.00%

How the savings ladder system works

a) Save as much as you can as soon as you can in a savings account and keep saving - this is your first go-to rainy day fund.

b) Assume your \$3,000 is not needed in the second year

c) Transfer \$1,000 into a 2, 3, 4, or 5 term deposits, supersaver, or other offering at your favourite local Bermuda bank.

d) Each deposit should be longer in years than the one laddered before to take advantage of higher interest rates.

e) As each term deposit matures, say the one year comes due and the cash is not needed, take the \$1,000 plus a years interest and open another five years deposit.

f) Another year rolls by and your 2- year deposit plus interest matures. Open another 5-year deposit with the longest interest rate.

g) And on it goes, the 3-year deposit matures, roll that plus interest into the next 5-year term deposit.

h) And on it goes, you ladder and ladder and ladder. When you have enough of a rainy day fund for protection against redundancies and other emergencies, you can then start to allocate your regular savings into a starter investment fund, conservative to begin with, of course.

i) You can also allocate funds to different currencies than Bermuda Dollars where interest rates may be higher, but be aware of currency exchange fluctuations!

j) Keep in mind that interest rates will vary as years ebb and flow. Every Bermuda bank offers varying rates for their savings, e.g. Term Deposits, Super Savers, Quarterly Bonus, CDs, 5-Year Saver, Accumulator Accounts. Remember also that you may have savings amounts deducted from your salary directly into your savings account, depending upon your wage plan structure.

Finally, this sounds like a lot of work, and not as much interest rate as anyone would like, but the premise is based upon consistent saving. You only need to start to see your deposits grow. Numerous individuals over the last twenty years, who were incredibly motivated, have used this system and were not particularly comfortable with investment markets. Every bonus, every bit of extra income - not considered necessary for every day living was shunted into the Term Deposit Ladders. Now, at close to retirement, they have created their personal annuity fund - under their control - to enhance their basic government pensions. Some will continue to use the format of revolving maturity Term Deposits because the consistency pattern works for them!

Use every opportunity to save what you can!

Saving and Building a Rainy Day (Ladder) Buffer

Buffer pain for long-term gain

A savings buffer is a rain-day plan, a safety-net cushion. Everyone needs one!

A buffer is not your credit card - to be paid off later - sometime down the road! You don't own that money. Someone, some credit card company owns you (and your assets).

We save because we must placate our fear of having no money at all. Everyone needs a safety net cash cushion. Having to seek financial help is a humiliating blow to human pride in self-sufficiency. If nothing else can, let those feelings motivate your decision to save something each month.

Figure out - what a good buffer savings amount for emergencies to cover living expenses is for you? How long would you need it for?

Take the FINANCIAL SURVIVAL QUIZ below!

Think redundancy, unemployed, hurricane disaster (such as Dorian), debilitating illness?

Would you need ready cash for how long?

- 3 - months?
- 6 - months?
- one year?
- two years?
- five years of ready cash? You have to decide thoughtfully, how long could your family last without a paycheck without cashing in everything you own.

How would you create a cash savings buffer?

See the Step Five Section on How to Save: Small Things Slippage, avoiding splurges, along with savings tips and the Cookie Jar Challenge

Other resources. You may also have other assets from which you can cash out/borrow short-term, such as

- Cash value in a life insurance policy assuming you can continue to make whole life insurance payments
- Consider selling assets that you can convert to cash, then move to your savings/term deposit account.
- Apply for The Bermuda Pension Commission Hardship Exemption as soon as possible - if you have a Bermuda National Pension Scheme account.

Take the Financial Self-Evaluation Contingency & Survival Readiness Quiz

Take the Financial Survival Quiz

- | | | | |
|-----------|--|------------|-----------|
| 1 | Do you have enough cash that is easily accessible for the next three to six months of living expenses, including rent, car or mortgage payments? | yes | no |
| 2 | If you don't have enough, can you borrow what you need from your bank, relatives or friends? | yes | no |
| 3 | If you borrow money, can you pay it back? | yes | no |
| 4 | If yours is a two person income family, can you survive on one income? | yes | no |
| 5 | Do you think your job is safe? | yes | no |
| 6 | Your tenant wants you to reduce the rent; can you absorb the difference? | yes | no |
| 7 | Is your employer's business showing healthy sales increases? | yes | no |
| 8 | If you were made redundant next week, do you think you could obtain another position in less than a month? | yes | no |
| 9 | Do you think your new job will pay the same salary? | yes | no |
| 10 | If you lost your job, could you afford to pay your own health insurance? | yes | no |
| 11 | Do you find that your credit card debt is decreasing? | yes | no |
| 12 | Have you been able to put extra payments on your credit card or your mortgage? | yes | no |
| 13 | Do you have any cash left just before the next payday? | yes | no |
| 14 | Are you paying all your bills each month? | yes | no |

When bad financial things happen to good people.

Life happens to all of us.

We are trundling along, making plans for a vacation, thinking about a weekend get together, considering an advancement or a promotion in our workplace, buying that special pick-me up for the evening, children healthy, grandparents busy in retirement, everything seems just fine.

We feel somewhat complacent, did a bit of planning, perhaps not as much as we might have, but we know that we can get back to finalise things soon. Normal days, normal lifestyle. Better days ahead – wonderful thoughts!

Then, without warning, normal becomes something far different, our life changes, sometimes irrevocably. And as it has been so often quoted, “even the best laid plans, go awry.” poet Robert Burns.

Some disasters: hurricanes, fires, and our now total pandemic immersion are collectively worse as they indiscriminately and brutally affect the whole community. The permanent loss of a loved one, disabling illness, redundancy, financial fraud, are so painfully personal they can barely be articulated.

Our Emotions React to Disasters

When an unexpected disaster happens, it can be a sudden shock, or at the least, a very delayed acknowledgement that life will not be the same.

Our emotions can run the gamut, figuratively, see-sawing through our psyche, making our innate logic ability harder to find any perspective.

We are everything and everywhere all at once; emotional reactions tend to follow stages

- Anguished and incredibly sad at the worst of life events.
- Angry and defiant at the world. How could this happen? Why me? Why my family?
- Anxiety and stress become evident as we cope with this new challenge. Sleep patterns may be interrupted. Interpersonal relationships may become strained, while unpredictable feelings such as boredom, and detachment increase.
- Decision Paralysis can set in, in concert with depression. Thoughts of why bother trying when you can't control anything? It becomes harder to make any decision – that is actually a way of handling grief, by shutting out reality.

All the while, financial undercurrents can cause additional stress.

Our Innate Resilience comes to the Fore as Time Goes On

Acceptance of the new Reality gradually evolves. And you start to cope with your situation – re-establishing your regular routines, going back to healthy behaviours: eating better, exercising any way you can, communicating with friends and relatives, getting adequate sleep, taking small actions initially.

You are Perfectly Normal

Individuals may feel guilty, too, for their behaviour so that they may appear irrational, unsettling, and anti-social.

However, behavioural psychologists know that every single one of these emotions are perfectly normal responses to such impactful, abrupt events affecting our lives. You are grieving for your loss, your family, yourself, and a possible complete lifestyle change.

Finally, you will Arrive Back to a Good Place to Take Action

Everyday living has to resume in a new normal. Children have to go to school, meals have to be prepared, we have to go back to work, support family members, community involvement resumes, bills have to be paid, assessment of current finances is needed, and planning for the future resumes.

Some Thoughts on What to Do If a Disaster Has Left Your Finances Short.

It is never, ever easy – coping with unexpected tough expenses in your own personal situation, let alone managing financial survival in a total community social distancing situation, never before experienced in our lifetimes. No one could have predicted with certainty, that the Spring 2020 COVID-19 situation would have happened at this time in this community.

Use every means possible to bolster and protect your cash fund.

- Cash in savings – use sparingly, if possible
- Paycheque loan or an advance from an employer, if possible
- Borrow from relatives, friends, but formalise with signed promissory note – they are in the same situation and must be repaid, later.
- Home equity line – arrange ahead - if any sense of impending financial retrenchment, such as a company restructuring
- Ask for a temporary rent reduction from landlord
- Sell investments, assets, anything of value, in a worst-case scenario, sell home
- Arrange temporary mortgage payment abeyance, delay or reduction
- Borrow against life insurance, if available
- Consider Social media funding
- Get a job, any job, or obtain a second job, understanding that it may not be as easy to procure in a bad economy
- Barter with your community, especially,

if you are trying to keep your emergency fund intact – no cash changes hands, no reduction in cash cushion, but the opportunity to establish new relationships!

- Seek Government assistance, that is what governments are for – to protect and help those dis-advantaged. This is what our combined taxes are meant to do, to support our community.

The Aftermath of an Unexpected Catastrophe

You've been able to raise enough cash to see you through the worst of these times, however?

But, what if you cannot save enough going forward because you lost your job, you become ill, your spouse has passed, you go through a divorce, you have a fully dependent adult child?

You are now in the financial survival mode.

Time for some very tough questions and answers from the Survival Quiz above!

What You Can Do Now to Prepare for the Unexpected Contingencies in Life

We are focusing on the real-life challenges associated with redundancy, but this section can apply to any contingency life planning!

Warning: Life (and your finances) can change without notice. The recent redundancies in late summer and fall in Bermuda 2019, and the long, wearing shelter-in-place COVID pandemic shutdown are again a reminder that in job markets today, a job can dissolve overnight, no one has a job for life, no one can become complacent, no one should ever, ever think that they are irreplaceable (regardless of talent and expertise).

Are you financially and emotionally prepared to survive abrupt life changes?

Results of your self-evaluation quiz listed above?

How did you Do? More no answers than yeses means that you will need to do more in building your rainy day fund. Ideally, you want to build as big a buffer against tragedy that you can: savings that can carry you a year or more, until you get back on your feet.

Job redundancies happen for myriad reasons: political expediency, economic conditions, relocations, technology improvements, outdated skills, pandemics, or pure personality clashes - the last are referred to in company vernacular as not buying into the new company vision.

In 2003, for the first time, my Personal Finance column in the Royal Gazette commented on the Bermuda redundancy environment during the history-changing event of the Bermuda Bakery facility closure.

It was a shock, a loss I personally felt keenly - that heavenly smell of fresh bread wafting over Hamilton every day since all our childhoods, gone forever. A significant loss, too, in so many ways for many: employees, vendors, owners, consumers all, one less local product produced locally by local people in Bermuda - gone forever.

Is your job at risk? Why it pays to keep your eyes open, Martha Myron, Published Mar 12, 2011 in the Royal Gazette.

Time moves on.

In the decades since, global capital markets experienced another boom, Bermuda coped with a damaging recession in 2008 - that was the first recession ever experienced in our Bermuda lifetimes, regrettably, Bermuda's economic recovery has been very, very slow.

Those of us who were in denial back then as our local recession has dragged (and has yet to return to the glory days) - still imagining the Bermuda money faucet would never turn off, now realise that Bermuda was (and is) very vulnerable to world economic drag.

And we need to be prepared.

When cutbacks and redundancies occur, the general public perceives employers to be greedy and heartless.

Some are. We read every day about those self-absorbed individuals-in-charge who have taken their firms down, all in the name of more - for them and only them.

There are more decent, caring employers who just have no choice.

For their own companies' survival, they must implement economic triage to place their capital in the most profitable areas, those that will generate the best return for shareholders. No company or CEO, in their right mind, can operate altruistically (and unprofitably) because the final catastrophic alternative is to go out of business.

Then no one has a job.

Is your job in jeopardy?

Is your internal radar sending intuitive messages? Pay attention to what is going on in your work environment; keep your eyes open to subtle body language and your ears tuned to oblique comments. Network more vigorously with your co-workers.

Time to switch to survival tactics. One professional associate told me that she knew her job was going when her manager stopped looking directly at her (as if she no longer existed). If you pay attention, a change in company operations should not come as a surprise. Anticipating changes allows you to put your redundancy survivor tactics in place.

Triage Planning: What to do if you think your company might be announcing redundancies:

- List all critical bills due, particularly, rent/mortgage utilities, phone, car payments and gas.
- Review your finances to assess if you have enough cash right now for at least three to six months of living expenses to cover these critical bills and food.
- No cash cushion? Start saving as if your life depended on it. It does.
- Sell what you do not absolutely need. Yes, this means those extra designer bags, electronics and expensive car, etc. Find a cheaper car, pay cash for it and get out from under those large car payments. All cash adds up.
- Radically cut back on all non-essentials. In order to save, you must temporarily stop spending on everything that is superfluous and unnecessary: cell phone use, eating out, special snacks, new shoes, leisure clothes, shopping sprees, vacations, little expensive electronic treats.
- Cut your food budget down to plain, practical small portion meals. You'll lose weight in the process.
- Shop locally where possible - for those essentials. We are in an island consumer- interlinked daisy chain. Our local businesses' futures are as dependent upon us as we are on them. You can be sure that if they fail, someone in our related families will also be adversely affected.
- Make credit card charges a complete no-no. Reserve your cards for absolute

emergency use only. The psychological effect of coping with large credit card balances can create tremendous stress. Pay the minimum balance for now because you must keep ready cash available, until you can arrange to reduce principal (in the future) to a manageable level.

Do not skip a payment!

- Home equity line - if you are a two-income earner family and own your home, arrange to have one put in place now. You cannot borrow money if only one of you has a job, and you don't have to use it unless you absolutely have to.
- You may (or may not) want to talk to your mortgage officer. If cash is going to be tight, discuss procedure for a short-term interest only payment plan. However, there is caution here - because if you are listed jointly on your mortgage (and now only one of you has a Job), your mortgage officer may reclassify your loan - possibly with higher interest rate or a restructuring of the loan itself. Investigate and read carefully the terms and conditions of your mortgage loan document before approaching your banker.
- If you rent, talk to your landlord - you may be able to negotiate a lower fee, or look now for a less costly rental.
- Get your CV updated immediately and start quietly networking with friends, business acquaintances, and family contacts.
- Step up your personal grooming. This is not the time to let your appearance slip, no matter how miserable you may feel. Indeed, this is one area where

you will need to spend, but don't go overboard, such as purchasing a \$1,500 suit and \$500 shoes! In your job search, you must look like an absolutely confident, poised, polished intelligent professional at all times.

The first impression is the only impression. And remember, then you have to deliver on your appearance!

- Be proactive - do not act like a deer frozen in car headlights. If you think you can handle it, and you are sure the company is downsizing, be one of the first to ask your current employer for a separation package. Those who volunteer themselves out the door first, often walk away feeling very financially fit.

Warning, do not attempt the separation package move without reviewing your personal finances and the available job market first. You must be absolutely sure you can/have obtained another position.

- Increase your athletic activities. Do not let yourself go. Work out that stress and uncertainty on the fastest walk or run you can. Picture that mental image of a confident, poised, polished professional. No one can define who you are, except you.

- Operate in this survivor mode until you know for certain that your job is still intact, or that you have attained another.

Now, none of this may come to pass for you personally, but look what you have done.

You are a changed professional. You just may find yourself receiving a promotion and a brand-new career. The sceptics think I am kidding, but it happens all the time.

You have also accomplished building a successful rainy-day fund. Now, keep adding to this fund – the better prepared you are, the less stressful any outcome may be.

Reinvention (of yourself)

Renewal (of your educational aspirations)

Resourcefulness (in the face of adversity) promotes

Resurgence of interest in you and what you can contribute to your employer's bottom line. You will become the employee everyone wants.

Change is inevitable.

You become the change agent; embrace it and use it to your advantage.

You will remain the person in charge of your life.

So, your worst fears are realised. You are redundant. What now?

- Do not badmouth your prior employer.
- Get rid of the anger (and the bitterness). Do not show it during the exit interview or afterward. What goes around comes around; if the business picks up, you could be first hired back.
- At the very least, you must ask for a really good reference.
- Negotiate the best termination package you can. If you are allowed to stay for another couple of weeks, a month, do it. Use that time (and their equipment) to network with everyone you know.
- Get an extension on your health insurance coverage if you can.
- Update your CV if you have not done so already using their resources, following the being pro-active guide above.
- Ask if you can stay on as a temporary worker. The object here is to keep working (and a paycheque) until you can find another position.

What to do immediately to protect yourself and your family.

- Prepare yourself emotionally and mentally, being made redundant is a terrible blow to your pride and psyche.
- Count your cash, literally. Any extra cash that you have, allocate to buckets or envelopes: food, rent/mortgage, transportation, etc.
- Pay your rent / mortgage ahead now, first. You need to assure yourself of a roof over your head without having to think about scrounging for the money.
- Be realistic, what about that expensive car and those large monthly payments. If you don't have the cash to meet the loan payments, your only method of looking for another job will be taken away from you with a foreclosure.
- See if you can find a second-hand car, then sell the superslick model and get out from under that debt.
- You must have a family meeting and lay out the facts. Do not try to hide this from everyone. Present a united front and tell them that you are all in this together, you will survive.
- Don't have enough cash to put aside, talk to your family and make arrangements for shared temporary accommodations, and other support if necessary,

- Use all of the hints above, except do not notify your mortgage officer regarding the change in mortgage on your home. You do not want to have your loan reassessed based upon one in-come-earner instead of two, because you will get back on your feet.

It has happened, accept it, be proactive, put the rest of your emergency plan into action, get out there, network, interview, educate yourself, do not sink into apathy. The longer you delay your reaction the harder it is to find another job.

You have just been hit hard, now use every single bit of your personality, your faith and your family support to fight back and win, yes, win yourself another job.



[Listen to tips for a Savings Buffer Safety Net](#)



[Listen to tips for Extreme Contingency Planning](#)

References & Resources

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