

## Keeping Your Feet on the Ground in Times of Change

Some life transitions, such as a career change are planned. Others, such as job loss or divorce, can be sudden and unexpected. One common thread running through all transitions is the insecurity of wondering if you will have enough money to get you through. This concern may be exacerbated by not knowing exactly when the transition will be complete. While the goal of finding a new job (in the case of job loss) or landing a first job in a new field (in the case of a career change) is clearly defined, it is the *timing* of achieving the goal that can cause a great deal of financial anxiety.



One way of dealing with this problem is to determine your financial staying power. This exercise allows you to project how far down the road your financial resources will carry you. While there may always be a certain amount of money worries, by knowing how much time you can buy, you can concentrate on the task of accomplishing your transition goal.

The process begins by examining how much it costs you to live your *current* lifestyle. To do this you will need to go back over your check book and credit card receipts to find out where your money has been going. Don't forget those cash expenditures and frequent ATM stops that lighten your wallet on a daily basis.

Once you have a good idea of your average monthly expenses, you can match them against the financial resources you have committed to the transition. This will include: cash on hand; any reliable cash inflows such as a spouse's salary, investment income, or rental income; a severance package or unemployment compensation if applicable; and any investment assets you can liquidate if a shortfall exists.

After recording the expenses for your current lifestyle, you will want to repeat the exercise based on a modified spending plan. You can modify your current spending level by noting areas where you can cut your budget without seriously changing your lifestyle. These changes might include doing some things on a less frequent basis, or seeking less expensive alternatives for some of your current spending habits.

Now that you have recorded the expenses of your modified spending plan, you are now ready to further hone your budget to create your "bare bones" budget. This third level of spending reduces your cash outflows to only those necessary for survival.

At this point in the process, nothing is etched in stone and you are in complete control of how you will allocate your resources. You can even customize your plan to allow for continuing to fund your current lifestyle for a certain number of months, switching to a modified spending plan if you find that you need more time, or going to your survival budget if an unexpected obstacle prevents you from achieving your transition objective within the planned time frame.

Life changes can be challenging for a number of reasons, but you can ease the financial pressures by knowing at the outset how far your money will carry you. By determining how much it will cost you to get from point "A" to point "B," you can decide whether your transition plan makes financial sense or needs to be redesigned.

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