

10 steps that matter most in a financial emergency

The coronavirus outbreak has brought about a deep economic slowdown and increased financial uncertainty. For large numbers of people, this has led to an income shock and an outright financial emergency. What do you need to do financially if you've just lost your job? Or when you have a business which has seen revenues drop suddenly and massively?



Practical advice

The ten steps that matter most are inspired by several money advisory expert sites combined with what I think matters most. This is not an exact science. This is just trying to be practical, based on research.

Prepare yourself mentally for drawing up and making use of financial emergency plans. Making a plan helps you to get a grip on a very stressful situation where you have to stay afloat. Start with the **emergency plan for the very first week**. Choose a format that is simple – e.g. a list – and keep it as simple as possible.

List your **spending** needs for you and your household. Figure out what is really necessary to spend money on. Be honest about potential frivolous spending. Comfort and impulse spending can be attractive, but probably not the wisest thing in a financial emergency situation.

List your options to pay for the real needs you identified in step 2. What do you have in **income**? And in **savings**? Are there **alternative** immediate options such as asking **family** for help? Be wary of incurring **costly borrowing/overdraft/credit card** options to keep afloat.

Talk to your **partner** if you have one about your previous steps, especially two and three and improve the plan. Evidence has shown that joint decisions on average lead to fewer financial problems.

Together with your partner stay **calm and rational**. Goal setting, emotional control, and attentional control have shown to make a difference to people's financial situation.

In case you get stuck, consider who you could **ask for help** to make or test your plan with. It is completely normal that you might be hesitant to be so open to others. However, this is about staying afloat. So if you do trust someone, perhaps it is an option after all.

Finalize your first week plan as soon in the week as you can. **Track the reality versus the plan** at least every other day in that first week.

In that very first week, start to make **a further emergency plan for week 2 until month 3**. Be as financially specific as you can about each week. To develop this plan of action, there are several steps you need to take, which fall into three broad categories; **'find a way', 'seek help' and 'keep paying'** the bills that cannot be altered:

- a) Look for ways to get emergency income support.
- b) Find help for your situation: Investigate whether there is a collaboration between local governments and banks to help you ("a one stop shop"). Having fewer organisations to deal with – either "helpers" or "creditors" – will save you a lot of stress dealing with a potential constant stream of letters, messages and phone calls.
- c) Contact creditors to get a pause or discount. Look for sample letters that can help you convey this effectively.
- d) Identify your further options, e.g. to save or make money.
- e) Make sure you keep on paying the bills that cannot be renegotiated or for which payment cannot be postponed.

For this further emergency plan: a) Talk to your partner or someone you trust, and improve the plan, and b) stay calm and rational.

Track reality versus the plan by a) finding and testing where possible and then using one tool that helps you keep track of your (budgeting) plan and b) setting a time and day of the week to track this on a regular basis.

