

How to deal with money worries following redundancy

It's natural to worry about how your finances may be affected while you're out of work. There are ways to keep your finances on track, or deal with any debts you already have, following redundancy.

If you've been made redundant, it's understandable that your main focus will be searching for a new role. But while you're filling in applications, it's important to put some time aside to think about your finances. Here are top tips on managing your finances during a period of unemployment or redundancy.

1. Be clear about what you can and can't afford to pay

Start by making a monthly budget. List your income and debts, along with details of your spending and other outgoings to create your budget. This will help you see how much money you need to cover your essential household spending every month.

Using a [budgeting template](#) can make this easier.

Many people find this daunting, but it's first step towards having a clear picture of your financial situation.

Make sure you've not missed anything by:

- Checking your letters about any bank accounts, credit agreements and ongoing payments, such as your mobile phone contract
- Looking at your credit file. You should check the records kept by the three main credit reference agencies: Experian, TransUnion and Equifax
- Listing all the ad hoc payments you make: Christmas presents, repairs etc. Then divide these one-off costs by 12 to work out how much that would cost if broken down over the year
- Making a note of everything you paid for during the previous month.

2. Pay priority bills first

It's very important to keep on top of your priority bills while you're not earning.

This means the bills that have serious consequences if you miss payments, such as gas or electric supplies being cut off, or losing your home if you don't pay the rent or mortgage.

There's more information about priority bills on the [StepChange website](#).

3. Don't be afraid of getting in touch with creditors and asking for help

It can sound scary telling a creditor you can't afford to pay, but many will be supportive and will give you some time to deal with your finances. It's important not to delay getting in touch with your creditors.

Most creditors are able to be flexible. They will look at options to try to prevent customers dealing with further financial difficulties. They may freeze interest and charges on your account, apply other temporary measures or even agree to a [payment holiday](#).

4. Get expert help

If you're already worried that you won't be able to keep up to date with your important payments in the long term, don't wait to get help.

StepChange can provide you with free, impartial advice tailored to your situation. Visit <http://www.stepchange.org> or call us on 0800 138 1111 Monday-Friday 8am-8pm or Saturday 8am-4pm to take the first step.

Frequently asked questions

I have debts, should I use my redundancy pay to deal with them?

This might be a good idea, but do weigh this up alongside the other options.

How could this impact your overall financial situation? And have you realistically thought about how long you'll be looking for work, while still paying the monthly bills?

If you owe money to your bank, maybe through an overdraft, it can be a good idea to put your redundancy pay in separate account with another bank. This means the bank wouldn't be able to take these funds to repay your debt to them.

Should I take out more credit to cover me while I'm out of work?

A credit card or overdraft might seem like a good idea as a temporary financial fix, but there are longer-term risks.

If you take out more credit while having less money coming you're at risk of not being able to afford all the repayments.

If I'm on a debt solution how will this be affected by being made redundant?

You need to get in touch with your debt solution provider to make them aware of the change in your circumstances. They should review your new financial situation and re-advise you. They may recommend a different debt solution, or if you're on a repayment plan, such as a debt management plan, you may be able to adjust your payments to make them more affordable.

If you're worried about how you're going to cope financially while you're looking for a new job, don't wait to get help. Make sure you get advice from a free and trusted source – there's no need to pay for debt advice.

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