

When Financial Uncertainty Rears Its Ugly Head

Major unexpected challenges can occur at any time. A sudden job loss, a terminal diagnosis or death, a lawsuit directed at you, or a disaster that wrecks your property may cause significant distress that puts your financial future in question.

And while having significant savings or an extensive resume might mitigate much of that uncertainty, affluence and experience don't guarantee that you'll completely sidestep serious financial setbacks.

Example: By age 70, nearly all Americans (96 percent) will have experienced four or more major life events such as a layoff, illness or divorce that cause their incomes to drop 10 percent or more. And at least once over the course of their working lives, six in ten workers go a full year or more without earnings, according to the National Endowment for Financial Education.

Here's how you can navigate those (probably inevitable) periods of financial uncertainty and come out the other side.

Assessing the damage

Regardless of what the unexpected financial shock is, the first step after it occurs is to reach out to a trusted financial professional with whom you currently work—such as a wealth manager or accountant. It's important to assess how the recent changes could likely impact your financial outcomes—and determine whether any changes should be made to your existing wealth plan.

The specifics of a financial review will depend on factors like the details of the new development itself and the complexity of your current financial picture. Some discussion points that are likely to be raised include:

- **Your budget.** If there's suddenly a lot less money coming in, it's imperative to examine the money that's flowing out. If you already track spending, you'll probably see quickly which

categories are musts and which ones are luxuries. If not, gather up your spending records to see if any changes need to happen.

- **Your cash cushion.** Chances are, you have some sort of emergency fund. But is it adequate given the situation you're facing? Cash cushions often rise and fall. If yours needs to be bigger, it might make sense to consider ways to raise cash or borrow to meet the demands of the moment.
- **Your insurance coverage.** If your house burns down or suffers some sort of catastrophe, you'll want to clarify—fast—what your insurance policy does and doesn't cover.
- **Your asset protection plan.** If someone gets hurt on your property and sues you, are you sufficiently protected? Many people aren't sure until they're in this type of predicament. Likewise, if your company or someone associated with it is sued, what (if any) asset protection strategies are in place—and how strong are they?

Good News or Bad News

Say your current wealth planning has you well positioned to ride out the financial shock. While that may be true objectively, you might not *feel* it's true. When our lives are upended, the loss of control we experience can make it tough to believe we're okay.

If you find yourself feeling uncertain and anxious despite evidence that you're in good financial shape, consider steps like these:

1. **Tap the usual suspects.** Do something to calm the body and mind—yoga, meditation, running, weightlifting and so on. Seek out counseling or even a friend who is willing to listen to your concerns. The obvious moves are obvious for a reason: They tend to work!
2. **Control what you can.** When something like a death or job loss pulls the rug out from under you emotionally, you can look to exert control in other areas of your life. Consider cooking more at home to reduce restaurant spending, replacing some pricey excursions with hikes, and being more price conscious when shopping. Actively choosing to take money-saving actions, even if they're not necessary, can potentially be reassuring.
3. **Reframe the situation.** A sudden financial problem can make you feel like a failure. Remind yourself that most people experience exactly what you're going through (see those statistics from earlier). Brush up on the many stories of hugely successful people who fell on their faces along their journey. Each day, write down three things for which you are grateful to help your brain notice the good and not just the bad. When you're not feeling buried under a mountain of stress, you may very well be able to make better choices that get you back on track faster.

But if it looks like you may be in rough financial straits, it's time to adjust and regroup—getting help and guidance from one or more financial professionals along the way. Potential action steps could include the following:

1. **Prioritize, prioritize, prioritize.** What has to happen so you can pay the bills and, at the very least, get by for the next few months? Focus on those key tasks and press the pause button on the rest. If you are newly jobless, that could mean filing for unemployment or tapping into select assets for quick cash. If your spouse has died, get the ball rolling on survivor benefits from Social Security, his or her employer, and insurance policies.
2. **If you need help, ask for it.** Family members who can loan or give you money may jump at the chance to do so. Likewise, lenders, health care providers and others are often willing to work with people by adjusting payment terms and setting up extended payment plans—assuming you reach out to them before you've missed months of payments.

Conclusion

Ideally, you'd always be perfectly prepared for an unexpected financial hardship. But it's wise to recognize that we can be blindsided by news that makes it hard to know whether we're still on solid financial ground. If you're faced with such uncertainty, know that there are ways to regain much-needed clarity—and steps you can take to get back on track.

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