

HOW TO GET YOUR FINANCES ORGANIZED AFTER A ROUGH YEAR

Lindsay Tigar | January 8, 2021



If you were laid off, lost income, took on more debt or started divorce proceedings, here's how to move on and organize your finances in 2021.

Although heading into a New Year always seems like a chance for a fresh start, if you're still navigating a financial fallout from 2020, you may be feeling more stressed than hopeful. Even something as simple as logging into your bank account can be anxiety-inducing when money is tight and all you want is to get your finances organized.

But when things are rough, it's actually the perfect time to set up systems to ensure our security and peace of mind once we have money coming in again. As investment advisor for [Cutter Financial Group](#), Jen Farrington, Ph.D., explains, we

can position ourselves to handle whatever comes our way (yes, even those worst-case scenarios) once we have sound financial strategies in place.

“If 2020 taught us anything, it’s that if you manage the downside risk of your investments, the upside takes care of itself. Now is the time to take action as we enter into 2021,” she says.

No matter what this last year did to your bank account or to your confidence as an investor, these measures will help you get organized and ready for the next stage.

IF YOUR SALARY WAS CUT DUE TO THE PANDEMIC...

In an effort to leave employees with health insurance, many employers decided to cut wages so they wouldn’t have to lay anyone off. Though it may seem like a silver lining, a loss in income (even a small one) can seriously impact your financial planning, bigger goals and day-to-day spending. Jeannie Walden, the chief innovation officer at [DailyPay](#), says that if your income is still down substantially, it’s time to start searching for a new job. If your reduced salary will be repaid to you eventually, then it’s worth staying until they can afford to make up the difference. But, if not, you should consider other opportunities while also creating a detailed, strategic budget that matches your current lifestyle and income.

Walden suggests the 50/30/20 rule of budgeting, where you divide up your after-tax income and allocate it to spend 50% on needs, 30% on wants and 20% on savings. Then you’ll stick to these rules, no matter what, in order to get back on track.

“When you go shopping, whether it’s for groceries or anything else, take the time to create a plan. Shop at your local Kroger or Target like you are buying a car: do your research, make a list and have an attack plan going in on exactly what you need and how much you should spend,” she advises.

IF YOU’VE BEEN UNPAID SEVERAL TIMES DUE TO COVID EXPOSURE...

In some cases, people are being sent home from work for up to two weeks without pay if they encountered a COVID exposure at work – even if they didn’t contract the virus. When this occurs multiple times, it can impact your financial position pretty significantly. “If this happens, it could be time to supplement your job with other income,” Walden recommends. Look into many companies like Amazon, Instacart, or even the United States Postal Service, all of which have been hiring for short-term, part-time workers.

READ MORE: [6 Places To Get Help Now If You’re Struggling To Pay The Bills](#)

IF YOU'VE MANAGED TO SAVE MONEY THIS YEAR...

This might be the right time to invest with a long-term goal in mind. If you are one of the lucky ones whose income wasn't impacted over the last 12 months, Walden says now is a smart time to make long-term investments that could pay off tenfold over the next years — and decades. “The Dow was certainly a roller-coaster in 2020 and has recently reached record levels with indications it will continue to rise. Regardless, it is historically a smart and prudent long-term option. And it presents another opportunity to consult your employer to see if they offer a 401(k) or similar savings plans,” Walden explains.

IF YOU LOST YOUR JOB AND YOU'RE UNEMPLOYED...

For those of us who have been unemployed for a length of time, it's time for an honest, raw and vulnerable soul-searching session to analyze what's truly a necessity in your life. Think about it like this: if you can live without it until you find a new job, then it can be cut from your budget. And as we head towards a year of the pandemic's damage to our economy, it's time to make some tough decisions about whether or not you can afford to pay your basic bills, including rent and utilities. If, for example, you have an option to break your current lease and move in with family until you're back on your feet, don't be shy about exploring those possibilities. These truly are unprecedented times, and it may take time for you to rebuild your savings.

If you haven't already, make sure you file for unemployment and prepare for the tax responsibilities that come with the government support. Also, part of organizing your finances while unemployed is having a plan for your health insurance if unexpected medical bills bubble up. “Some options to consider here are the COBRA plan from your previous employer, private insurance, or a spouse's insurance plan,” she says.

IF YOU'VE TAKEN ON NEW DEBT...

Incurring debt can often feel paralyzing, since it feels like a massive mountain that must be climbed, but you're still at the base — unsure of which direction to take, Farrington says. That's why creating a detailed plan can make the difference between those who succeed financially and those who don't. The first step is creating a simple budget that details the income you have coming in, your necessary expenses and your debts, along with the interest they carry.

“We suggest you choose to pay off the debt with the highest interest rate first. We also see many who will pay off the smallest balance first to get a psychological boost in crossing one off the list,” Farrington continues. “Either way is fine, but you have to take action! If you have many credit cards, consolidate your debt to one low or no-interest rate card to reduce interest payments as much as

possible.” Another suggestion is to call your credit card company to see if they will reduce your rates or eliminate late fees. “Many will, during this COVID-19 crisis,” she adds.

IF YOUR SPOUSE LOST INCOME...

Going from a dual-income household to a single income household will have a significant impact on your budget, requiring you to team up with your partner to create a game plan. As [Nicole Kubin](#), personal finance advocate and the founder of Strategic Divorce Advisory, explains, there are many aspects of your lifestyle that you'll need to reassess. First: figure out health insurance. If the working spouse can't add the unemployed spouse to his or her plan, then you can explore COBRA, or the health insurance marketplace via your state. Another consideration is childcare, which often takes up a significant portion of a family's budget.

A few small silver linings could be that you may be able to eliminate childcare costs during this time, since one spouse will now be home, and perhaps now is a good time to start that side hustle that you always dreamed of creating as a couple. You could also finally dig through your clutter and start selling some items as an additional income stream. “There have been many success stories of people who started making masks or forming delivery services during the pandemic,” Kubin shares.

IF YOU'RE GOING THROUGH A DIVORCE DURING THE PANDEMIC...

Divorces are taxing — emotionally and financially. However, when you take some important early steps in the beginning of your separation, you lower your risk of being financially impacted. Start by establishing separate bank and brokerage accounts in your name only, as well as credit cards, Kubin says. Also, make copies of all deeds, records, bank statements, legal documents and checks, so you can establish that you're the indisputable owner of each asset. (Assets include homes, cars, designer bags, cryptocurrencies, online trading platforms, and anything else of value that you can think of.) “Work with a financial advocate to go through all your documents and make certain your assets and liabilities are in order and valued accurately,” she says.