

Financial Focus in a Time of Uncertainty

By Tammy Flanagan

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If you're a federal employee or contractor (or live with one), it's likely that 2013 has been a tough year financially.

For starters, it was the third year in a row of a federal pay freeze. It also brought an increase in Social Security withholding, a hike in health insurance premiums for many people, and a decrease in the amount of money that could be sheltered from tax in a health care flexible spending account. Then came sequestration, leading to furlough days with no salary for many federal employees. Now we have more furloughs and ongoing uncertainty with the government shutdown. It appears there's no end in sight to the budget-cutting and belt-tightening. This means we need to tighten our belts at home as well.

The question is, how?

My colleagues and I at the [National Institute of Transition Planning](#) are trying to address these kinds of issues with a series of free webinars. The first, hosted by Karen Schaeffer, a certified financial planner, is on a timely topic: [Top Ten Financial Planning Points for Furloughed Feds](#). Karen is the managing member and co-founder of Schaeffer Financial LLC, a financial consulting firm in suburban Washington.

Here are some of the financial planning tips outlined in the webinar:

Don't panic. This isn't the first government shutdown. They've happened 16 times in the past 37 years. Panic is a natural response for many in any emergency situation, but it rarely helps. Use the adrenaline to regroup and assess your finances.

Focus on cash flow. Karen walks you through a simple spreadsheet to see your income and outgo in simple terms. Come to terms with wants and needs. It might be time to get thrifty.

Be proactive with creditors. Are you drowning in debt? There are ways to consolidate and get help with consumer credit. Loans are available if you need them.

Explore lines of credit. If you need money to get through a financial crisis, here are some tips on where to find it.

Loans are better than cashing out your retirement account. The turnaround time on a Thrift Savings Plan loan is five days or less as long as the funds are transferred electronically. You pay yourself back the money and sometimes you're paying back higher interest than you would have received.

Cut back on contributions. As much as a financial adviser hates to recommend cutting back on retirement savings, you might be able to free up some money for a brief shortfall by reducing your TSP contributions -- temporarily. But try to maintain your agency matching contributions.

Know what other assets you can use. These include savings bonds and the cash value of a life insurance policy. Instead of a TSP loan, you might qualify for a hardship withdrawal. But remember, you won't be able to replenish your

withdrawal and are restricted from any contributions for six months following the withdrawal.

Rethink your short-term allocations. Keep your short-term money (funds you will need in the next five years) out of the stock market. Other options for the money include bank accounts, CDs, money market funds and short term Treasury obligations. Even with one week of lost pay, you might need to change some long-term allocations to short-term allocations.

Stay focused. If you need to make short term adjustments to endure the tough year, be sure to get back on track as soon as possible. You may need to adjust your long-term retirement goals.

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