

Coping with an Interruption in Income

Whether you're working or retired, an interruption in your income can cause stress and hardship. Fortunately, there are measures you can take to cope with the financial stress resulting from a layoff, furlough, strike, disability, or interruption in entitlement payments, and reduce the difficulties and anxiety associated with lost income.

When your income is interrupted

Interruptions in income can arise from a variety of personal or work-related circumstances, including emergencies and unexpected events. You may experience an interruption in your income due to:

A natural disaster, crisis, or other unexpected event. All can temporarily affect your income and ability to work.

Furloughs. A furlough is time off from work without pay, often with the continuation of some or all benefits. When an employer imposes an involuntary furlough it is usually in an effort to avoid layoffs—spreading the pain of income loss among a set of employees but making each worker's loss of income relatively small. Keep in mind that a reduction in your gross income also affects how much tax is taken out of your paycheck. Consider speaking with a financial adviser if your furlough time will add up to more than a few weeks out of the year. See the article "[When You Are Being Furloughed from Your Job](#)" on this website for more information.

Interruption in entitlement payments, such as Old Age Security. Cuts in federal programs or changes in how the government measures inflation may affect Income Assistance benefits, long-term unemployment benefits, and other services.

Layoffs. If your income has been interrupted due to a layoff, you may be able to file an unemployment claim. Each province or territory has its own process for workers to file unemployment claims. Much or all of the process can now be

accomplished online. If you are filing an unemployment claim, be aware that administrators may expect you to be actively looking for another job, so be prepared to periodically submit documentation of your job search.

Strike. While going on strike means giving up your pay cheque for a time, a union may have a program to compensate workers for some of their lost wages and resources to help workers cope during the work stoppage.

Disability. An on-the-job injury may entitle you to workers' compensation benefits. A medical condition that prevents you from working may entitle you to disability benefits available through an employer or administered through the [Canadian Centre for Occupational Health and Safety](#).

Strategies to help you get through

New spending habits, adjusting your budget, and strategizing to make ends meet during the time your income is interrupted will help you get through this stressful time. The sooner you adjust to these necessities the more control you will have over your money. Here are immediate steps to take:

Adjust your budget. If you have a personal or family budget, revise it to account for the reduced income. If you don't, now is the time to create one. You'll find a helpful worksheet on this website to help you get started. See "[Setting Up a Personal or Household Budget Worksheet](#)."

If you are eligible for unemployment benefits, apply immediately. It may take several weeks for your cheques to start arriving.

Cut back on unnecessary spending. Restaurant meals, entertainment outside the home, expensive gifts, and premium cable are just a few of the kinds of expenses to consider reducing.

Look for ways to cut costs on big-ticket items. Almost any item on your budget has savings potential. Could you drive a smaller, more economical car? Find less expensive insurance, or a less expensive phone plan? Could you share childcare with a relative or friend—or, if one parent is now home, temporarily eliminate

childcare? You may even consider relocating to a smaller home or less expensive neighbourhood.

Avoid going into credit card debt. It's better to cut your expenses than to go into debt by overusing credit cards, with their high interest charges. If you must use credit cards, never exceed your credit limit, always make monthly payments on time to avoid fees, and have a plan for paying off credit card debt as quickly as possible. Better yet, don't use credit cards at all; instead, use a debit card, which draws directly from your bank account.

Consider carefully before dipping into your RRSP. Borrowing from your RRSP can seem like an appealing option if you must come up with more cash quickly, but consider the disadvantages as well as the advantages. It's your own money, so you can't be denied this kind of loan. However, you'll miss out on any market gains that money would have made; you'll need to repay the loan with after-tax money. If you're taking money out of your RRSP before you retire, you're immediately going to pay a withholding tax. If you take up to \$5,000, you're going to pay 10%. If it's between \$5,000 and \$15,000, they hold back 20% and if it's more than \$15,000, they hold back 30%. You also have to report that money as taxable income and you may have to pay even more at tax time.

Find ways to earn additional income. Telemarketing, childcare, cooking, teaching, coaching, election work, census work, selling unneeded possessions, and renting extra space are just some of the ways you may be able to earn extra income. Just be careful not to sign contracts that you may not want or be able to fulfill.

Consider family resources. Family members who live nearby can sometimes help you reduce expenses, for example by helping with childcare. Before accepting a loan from a family member, however, consider carefully the expectations for repayment as well as your personal relationships. Remember that an income interruption is a temporary setback, but family is family forever.

If you need help meeting expenses

To find resources that can help you meet specific expenses, visit [United Way Canada](#), or dial 211 from any Canadian telephone line to reach a service that will

connect you with community and social resources close to your area.

For help with housing-related expenses, visit [Canada.ca](https://www.canada.ca) for a wide range of information and resources.

For counselling on managing debt, contact [Credit Counselling Canada](https://www.creditcounsellingcanada.ca). They can help you combine debts (such as credit card balances) into a single balance with more manageable payments.

Look into mortgage refinancing and foreclosure assistance programs. These may be available from your province or territory or local government. You can also visit banks directly to find out about their mortgage refinancing offerings.

Get assistance with utility bills. Help with expenses like electricity and heating may be available from province or territory and local governments or the utilities themselves.

Take advantage of the GST/HST credit. You're entitled to this tax break if your income falls within certain limits. If you haven't claimed this credit, visit [Canada.ca](https://www.canada.ca) to check if you qualify.

Emergency resources

There are many resources that may be of help during a financial emergency, from government programs to private nonprofits.

For help locating government benefits you may be eligible for, go to [Canada.ca](https://www.canada.ca) and fill in the benefits finder form.

Contact local nonprofits and houses of worship. The United Way maintains a clearinghouse service staffed with agents who can direct you to a variety of community services—food pantries, affordable housing, help caring for children or the aged, and more. The service is available in most parts of Canada, and can be reached by dialing 211. An internet search is another good way to find such resources in your area.

Interruptions in income can be very distressing. But remember that you are far from alone—people everywhere are finding ways to get through the same difficulties you are facing now. And setbacks are generally temporary: either your work will pick up again or you will find a new way to move forward.

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