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[Press Room](#)
[Contacts](#)
[About GA Credit Unions](#)

Starting Over: Recovering from a Life Crisis



CONSIDER THIS: We all know someone - a neighbor, a friend or a relative - who suddenly faces an unexpected life-altering situation, such as the death of a spouse, a job loss, a divorce, a foreclosure or a serious illness. More often than not, people are financially unprepared to handle such a crisis.

Still, most people believe it won't happen to them - but statistics paint another picture. 57 percent of adults between 40 and 79 have been through at least one life crisis. People who face major life events are usually caught off guard and discover they are not as prepared financially as they had thought themselves to be. According to a 2009 survey by the AARP, "Overall, half of those surveyed who had weathered a life crisis called the financial impact they experienced 'very significant.'"

"When you are caught up in a life event, such as losing your job, it impacts your relationships, your mental health, your finances, your spiritual life and your psyche," explains Chuck Stichweh, Director of Training & Development for SRA International, Inc., parent company of Atlanta-based Sanford Rose Associates. Stichweh's first two pieces of advice for dealing with any life crisis situation are: give yourself time to grieve and make a plan.

You may want to know:

1. How can people prepare for a financial crisis?
2. How do people assess their financial positions in the face of a major life change?
3. How does a person go about trimming expenses?
4. What steps toward financial recovery should people take as they recover from a life crisis?
5. How do people go about assessing and re-establishing their savings plans?
6. How can people pay down debt incurred during a crisis?
7. Is walking away and declaring bankruptcy an option?

An insider's perspective:

"Life can change at a rapid rate and no one knows what tomorrow holds. Don't let your finances control your life," says Delbert Lee Morgan, President/CEO of Southeastern Federal Credit Union. Morgan suggests that people take time to realize their financial positions by evaluating their debts, recurring expenses, household needs, and other potential expenses as compared to their monthly income.

"Take a deep breath and understand that your situation did not appear overnight and that it will take time to turn things around," Morgan says. "Develop a budget that will be your guide to paying your bills, paying down your debt and building security for your future. Stick to your budget especially as your situation starts to improve." According to Morgan, communication with creditors is key. "If you have worked out a payment plan, don't stray away from the plan," he explains.

Stichweh suggests that people close revolving credit accounts they no longer use. "Too many open revolving accounts are detrimental to your credit score," says Stichweh. Someone trying to get better rates on credit cards, car loans or mortgages needs the best credit score they can possibly get.

Morgan encourages consumers to resist the temptation to seek an easy way out through declaring bankruptcy. "Declaring bankruptcy will tarnish your credit for over 10 years, hampering future access to credit and leaving no means of dealing with future emergencies or needs," says Morgan. Sticking it out also has the benefit of personal growth. "It's hard to learn life lessons when we take the so-called easy road," says Morgan. "Bankruptcy or just walking away doesn't cover the pain or frustration of poor financial decisions. Working through your problems allows you to grow and learn which increases the opportunity of a brighter future. It will take time but life can change, and this time for the better."

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Additional Information

- ∞ [Credit Union National Association](#): The Credit Union National Association presents information on avoiding bankruptcy.
- ∞ [U.S. Department of Housing and Urban Development](#): The U.S. Department of Housing and Urban Development offers advice on the steps to take to avoid foreclosure.
- ∞ [Federal Trade Commission](#): The Federal Trade Commission's site provides information for homeowners having trouble making their mortgage payments.
- ∞ [The Riley Guide](#): This Web site presents the article, "Coping with Job Loss."
- ∞ [AARP](#): The AARP Web site covers all aspects on navigating a life crisis in the article, "Your Life Crisis."
- ∞ [The Internal Revenue Service](#): This Web site is the information center for the American Recovery and Reinvestment Act. The site can help you determine if you can benefit from Recovery Act tax credits.
- ∞ [MSN Money](#): MSN Money offers consumers practical advice in the article, "How to Survive 5 Recession Hardships."

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