Shownotes – Getting Laid Off, Part 1

Blog Post

This cast reveals the most important concept a laid off manager must know: Finances Rule. it is the first in a series designed to help both prepare for and navigate through a layoff.

Most of us fear being laid off. It's a good fear to have, frankly - being laid off is a difficult passage for anyone. The fear of being re-employed, the fear of loss of status, the loss of income, risk to one's family. All good reasons to be scared.

And yet, those who have been laid off express very different emotions than those of us who have not. When those who have been laid off are asked about it, it becomes clear why. It's not JUST that they've, "been through it once and I made it." It's what they THEN say: "I'm ready this time."

And that's why you're scared: you're not ready.

This cast tells you how to start getting ready. And, our entire series about layoffs will be geared to helping everyone get prepared, and helping those that DO get laid off make it through successfully.

Cast

A: In a way, this is sort of our first personal finance podcast.

H: You know, you're right. That's not how we were thinking about this topic, but you're right.

A: Not only were WE not thinking that way, neither is anyone ELSE when it comes to being laid off.

H: I think in general there's very little THINKING about being laid off.

A: Yes, you're right...there's just fear. But my point was that it's not just us NOT thinking about finances when it comes to lay offs. Most folks probably think loss of status, the stigma, career damage, etc.

H: And they miss the real killer: cash flow.

A: Exactly. And, since surely there is someone listening to this cast right now thinking, "YES, EXACTLY! Please tell me what to do now that I have been LAID OFF!!!", we probably ought to keep this introductory chat BRIEF. What's our agenda?

H: Simple. We have one overarching principle, and a couple of initial recommendations.

Core Principle in surviving a Layoff is Finances Rule. Our one PRE-LAYOFF recommendation to achieve that is Get 6 months liquidity now.

A: That seems easy enough. Let's start with the core principle, Finances Rule. This surely is going to surprise some people.

H: I suspect so, yes. But here's what our experience tells us. What MOST managers do when they're laid off - even when they have some sense that things are not going well, and so might reasonably be expected to think about what might happen to them if the axe does fall - they think about getting another job.

A: Well, we're not going to tell them not to do THAT, right?

H: No, of course not. But here's the problem with that conventional wisdom. Managers start thinking about finding another job, but don't think about what they're going to de doing 60 days after the layoff, when, for whatever reason, they haven't found a job. Sure, finding a job is the way out…but managers routinely underestimate how long a job search is going to take. What THAT means is that when those 60 days have passed, for instance, they haven't changed anything about their economic situation, and NOW the search SOURS and often quite quickly. Basically, the manager has RUSHED to find another job at the expense of preparing for a longer period of unemployment. **And because of this, the fear of not having a job hits them at about the same time as they begin to have financial stresses.**

A: And so their search, not going well already, suddenly gets even worse. And it gets worse not only in the sense that they worry and are less efficient and effective...now they begin to believe that ANY job is better than no job, and they begin to set their sights on jobs that don't pay as well as where they were.

H: Yes. Basically, the failure to recognize the deadly effects of financial stresses in ADVANCE means that the job search itself is much harder, and much more embarrassing, which is another choice that reduces success chances during the transition. **Finances Rule because your search will deteriorate once you start HAVING to do things differently because you don't have the cash flow to support you and your family.**

A: If you don't think about finances EARLY - as in BEFORE the layoff, you run the risk of making EVERYTHING worse.

H: Exactly. we cannot stress this enough. Don't be so busy trying to get a job that you allow cash flow to reach up and bite you, and ruin whatever progress you might have made. Personal Finances may not seem relevant NOW, but the danger they pose is so big means we've got to get on the solution NOW...before the layoff.

A: Okay, what about 6 months liquidity now?

H: Hopefully this is an easy one to understand. Let's first make clear that many thousands of managers with whom we have worked have perhaps 3 weeks of spendable income. They don't really think about it, but when they get laid off, they IMMEDIATELY think about it...and those moments worrying about when the cast will run out are moments not spent interviewing effectively.

A: That makes sense. When they get laid off, WITHOUT 6 month liquidity, they now have to think about TOW important factors, rather than just one: job hunting.

H; Right. And just to be clear, we do mean what amounts to a half year's worth of income, in cash or other negotiable instruments. That seems like a lot until you're in the 3rd month of our lay off, and you begin to feel pinched.

A: how do we recommend manager tools managers "get" to 6 months?

H: Well, it's certainly different everywhere, but generally we recommend **managers start saving part of their paycheck now, and put it aside in an interest bearing cash or HIGHLY liquid account.** Sure, it's painful at first, just like any budget crunches come up. But that bit of saving is worth thousands in peace of mind.

A: Hey, share that story with everyone that you were telling me about helping an executive in his search.

H; Oh, gosh yeah. It's been 7 years ago, at least, but I'll never forget it. A senior executive who is a friend called me and told me that he had gotten fired....

A: And it doesn't matter about laid off or fired when it comes to this recommendation, folks. The result is the same if you're out of work: no cash flow.

H; Exactly. Good. Okay, so he calls me, and he says that he's gotten fired, and needs help with a search. I say sure, and we spend a half hour or so going over what had happened, what he wanted to do, and where he wanted to do it. Typical conversation. And towards the end, he says, hey, listen, one more thing...I've got to have a job pretty fast. Timing is key for me. some alarm bells went off, but I asked as casually as I thought I could, "you certainly don't want to make a tactical move that's a strategic blunder, though, right"? And he says he doesn't really care, he just really needs a job. I finally ask why. He says, "I have no money. I am overextended with debt, and simply have to have a job within the next few weeks. Two months tops."

A: Wow.

H: And here's the thing. I drew a conclusion right then about his fitness for senior leadership, and it wasn't positive for him. What's more, the guy I most thought he could work for was in a perfect position to hire him. When I referred him, my friend who was hiring naturally expected me to be candid with him, and in the course of our conversation it came out that there were cash flow issues. That killed the deal IMMEDIATELY. There simply was no way that a senior executive could be tolerated who couldn't manage a low 5 figure monthly budget, when the org budget would be tens or hundreds of millions.

A: This doesn't surprise me, though of course it's sad nonetheless. He hadn't planned, essentially violating our core rule of Layoffs, and it hurt him specifically and directly.

H: The lesson here is that for more senior positions, one's inability to plan for and handle tough disruptions in one's PERSONAL life are absolutely "in play" in others' judgments regarding your professional competence. *If you're going to survive a layoff, your finances not only give you more time, they also affect your ability to be hired, both in terms of others' evaluations and in terms of your state of mind about which opportunity to choose.*

A: Of course it's different in different parts of the world, but there are a few specific steps one can take to reach the 6 month mark, what we call peace of mind money. The hardest one for most people to swallow INITIALLY is to start saving 10% of your income each month for this purpose. Another is a home equity line of credit - open one up so that cash is available just by writing a check from that account. We URGE you not to touch retirement savings, for a number of reasons.

H: Do NOT touch retirement savings!

A: Is it time to wrap up?

H: One quick caveat. This cast may seem simple. It's fairly short. But don't be fooled. **We have seen too many people do SERIOUS damage to their careers by not knowing this core principle of layoffs. Finances rule, and failure to know that and act on it can hurt your career for YEARS. We could - and will - talk for hours about how to do many more things around job loss...but THIS IS THE ONE KEY THING EVERYONE LISTENING CAN DO NOW NOW NOW. Please think seriously about rearranging your financial choices - HEY, SPEND LESS!!!! - so you can make it through what is an ever increasing likelihood in much of the developing world of management.**

A: Great point. Okay, so the wrap up is pretty simple, folks. When you're laid off, Finances Rule. The most important thing you can do to be successful is save now for 6 months of liquidity. This action NOW makes you job search easier, and your choices more likely to get you where you want to go.

H: Thanks partner!