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It's time from plan B

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David Lars, a manager at General Motors who lives in Whitby, Ont., is preparing for the worst. With the sad financial state of his company regular fodder for the front page, he's been doing various things over the past few months to get prepared for a layoff, starting by saving more of each paycheque. He has met with his HR department to discuss his options; should he be laid off or offered a buyout, he wants to know how each scenario would unfold. Lars has also learned that he can cash out his $100,000 pension if necessary, which gives him peace of mind knowing that he could use it to make his mortgage payments. "I've worked at GM for 10 years, so I'm not quite low enough to be the first to go, but not high up enough to be completely safe either," says Lars. "I have to be ready for anything."

Many Canadians are finding themselves in a similar position to Lars these days. Maybe you're bombarded by grim headlines and scary rumours. Or perhaps your company cancelled its holiday party, or sent out a memo laced with fear-inducing phrases like "redundancy" or "mandatory performance review." You may not be able to control the fate of your job, but by being prepared, you can make a potential job loss much easier to handle. If you are caught off guard, the impact on your financial plans, career and personal life can be massive. Not only will having a "Plan B" ease your sense of helplessness and prevent you from making blunders, it will put you on sound footing to get your life back on track if the worst does happen.

First off, you need to realize that in an economy like this one, very few workers are completely safe from losing their jobs. It's easy to make justifications as to why you won't be the one to take the fall - because you have already survived an economic meltdown or two, or because you have specialized skills - but never assume that you're indispensable. "People tend to forget that we don't actually have a legal right to employment," says Toronto employment lawyer Daniel Lublin.

By having a backup plan, you can avoid the situation that Brandon DeMarco found himself in. The Toronto Web developer, who worked full time for a magazine, was completely surprised when he was laid off after two years on the job, right before the Christmas holidays. "They told me they couldn't afford my salary anymore," he says. "I had no idea this was coming."

Even though he's just 22 years old, and doesn't have the responsibility of a mortgage and family, he is still very concerned about having lost his job. Unfortunately for DeMarco, he had no real savings when he got his one-month notice. "I wish I'd been more prepared," he sighs. He can survive for a couple months without new income, but if he doesn't find a job by then, he may have to bite the bullet and move back in with his parents in London, Ont. "I really hope it doesn't come to that," he says. "I moved to the city to work."

To avoid problems like those DeMarco is facing, you need to plan for an uncertain future. According to David Phipps, a Toronto-based certified financial planner, preparing for a potential layoff is no different from sound financial planning. The first step is to assess your financial situation, and find ways to reduce any debt. Create a budget, keep track of where your money goes and curb any extra spending. "Live frugally," he says. "It's the only way to generate the cash flow to save for a rainy day." Put off signing that big lease or buying expensive toys, at least until you've built an emergency fund to cover a minimum of two or three months of expenses.

And remember: It's nearly impossible to get approved for credit when you're unemployed, so take the time now to get a line of credit or increase your limit. It's also important to review your investment strategy. "Ensure that your portfolio includes a low-risk component that can be tapped into should you need to spend some of your investments," Phipps says. Avoid risky or non-liquid investments, like stocks or locked-in GICs. Instead, consider a high-interest savings account, such as those offered by PC Financial and ING, which give you access to small amounts of your money, while the rest continues to earn interest.

You can prepare yourself emotionally by visualizing the "bad news" meeting with your boss and preparing a professional-sounding response, because reacting in a highly emotional or angry way will only make things worse for everyone. "The transition is a lot easier if you understand that it's not personal, it's business," says Alan

Kearns, career coach and founder of the Toronto-based employment advisory firm CareerJoy. So keep your emotions in check and skip the temper tantrum. And whatever you do, do not beg or plead for your job: Once they call you into that office, they're not going to change their minds. The payoff for keeping your cool? An employer who is happy to give you a positive reference, key ammunition in today's lean-and-mean job market. And while you may feel sick with shock, now is the time to make an appointment with your company's HR department. They'll help you get your Record of Employment (ROE), which you'll need to apply for Employment Insurance (more on getting EI and severance in the story, "What Now," on page 39). Make sure to discuss with HR how you can go about switching any of your company's group life and health insurance into individual coverage.

Another way to make sure you land on your feet is to get a head start in getting leads for a new job. "If you think you may be laid off," says Kearns, "you should update your resume, and start connecting with old bosses and old networks." Start meeting with people and let them know your situation and your interests. You never know where your next opportunity will come from: Keep your options open and be ready to jump if something comes along.

Kearns also suggests making copies of any non-confidential client feedback on your work. "That's terrific info to have when you're in job search mode," he says. Plus, it's one less thing to worry about if you're terminated suddenly.

One note of caution: Make sure you don't get so focused on a possible layoff that you start slacking at your current job. "This is the time to really understand your strengths and weaknesses," Kearns says. Know what you have to offer -and what you have to work on. "You have to be mentally prepared for whatever may happen," he says. "You might get laid off, but then again, what if it doesn't happen?" If you let yourself get dragged down by insecurities, your work will suffer. "It becomes a self-fulfilling prophesy," he says. "You're so worried about getting fired, you start making more mistakes, and the boss will notice."

But if this hypothetical layoff never happens, does it mean your preparation for nothing? Remember, having a plan will give you peace of mind as we go through what many are predicting will be a long and painful recession. Plus it will get you motivated to get your finances in order and build up your professional network, something that will be useful no matter what the future holds.

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