

Office for Financial Success – Financial Tip of the Week  
A service of the Personal Financial Planning Department  
College of Human Environmental Sciences  
University of Missouri-Columbia  
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**[Help! Man Overboard! Help!](#)**

Robert O. Weagley, PhD, CFP®

The seriousness of the economic downturn has hit academia and universities across America are taking steps to reduce their costs, as a way of staying within their budget. Particularly hard hit are those institutions that rely heavily on endowments to provide income for their operations. In December of 2008, Stanford University announced a 10% pay reduction for its top administrators. In a similar vein, the prospects of employee furloughs have surfaced from Maryland to California, including being mentioned this week by the President of the University of Missouri System, Gary Forsee.

I've had people ask me what a furlough means. It is essentially a pay cut, for the employee is asked to take time off from work without being paid. On the other hand, it is different from a pay cut, because a furlough is temporary. Moreover, if you don't have to go to work at, say, the university, you could actually find a temporary job, or self-employment, to enhance your income – while maintaining your benefits at your place of employment.

What should you do, if the prospect of you being thrown overboard as a cost saving measure looms on your horizon? The answer is relatively simple. You need to budget now to prepare yourself for additional cost-saving decisions should they become necessary. In that light, it is very important for you create and maintain an emergency fund to help you through this potential time of reduced pay.

To begin, you must budget your money. Some helpful worksheets and other information are provided on our [Office for Financial Success website](#). You need to know where your money is going, if you are to have any hope of plugging the holes in your bucket, reducing expenses, and succeeding through these tough times.

An important part of this program is to establish an emergency fund. When you hear the word furlough, you have to wonder, "How long can I go without a paycheck". Most financial professionals recommend you have from three to six months living expenses in your emergency fund.

We know that most families do not have an emergency fund. As a result, they pay more for insurances that have lower deductibles and they face greater stress when it comes to economic uncertainty. Most would agree that these are key areas to establish if you are able to enjoy your financial life. A liquid emergency fund of three to six months living expenses is a real key to financial success.

- Robert O. Weagley, Ph.D., CFP(r)

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