Budgeting During a Job Transition

A practical framework for managing finances with clarity and confidence during career change.

STEP 1 — KNOW YOUR RUNWAY

Your runway is how long your current savings can sustain you without income. Knowing this number removes fear from the equation and replaces it with a plan.

1. Total your liquid savings (checking + savings accounts)
2. Add any severance pay, unemployment benefits, or freelance income
3. Calculate your essential monthly expenses (see Step 2)
4. Divide total available funds by monthly essential expenses
5. The result is your runway in months — protect it by cutting non-essentials first

STEP 2 — BUILD A TRANSITION BUDGET

Separate your expenses into three tiers:

TIER	CATEGORY	EXAMPLES	ACTION
1 — Essential	Non-negotiable	Rent/mortgage, groceries, utilities, insurance, medications	Pay first; protect at all costs
2 — Important	Meaningful but reducible	Phone, internet, transportation, minimum debt payments	Review for lower-cost options
3 — Optional	Paused during transition	Subscriptions, dining out, entertainment, gym	Pause or eliminate temporarily

STEP 3 — HEALTH INSURANCE: KNOW YOUR OPTIONS

COBRA Continuation Coverage

Allows you to keep your employer's health plan for up to 18 months after job loss. You pay the full premium (employer + employee share), which can be costly. Best if you have ongoing medical needs or are mid-treatment. Deadline to elect: 60 days from coverage loss. Resource: dol.gov/agencies/ebsa (search "COBRA guide")

Health Insurance Marketplace

Job loss qualifies you for a Special Enrollment Period (60 days). You may qualify for premium tax credits based on your income. Often more affordable than COBRA for healthy individuals. Apply at HealthCare.gov or call 1-800-318-2596.

STEP 3 — HEALTH INSURANCE (continued)

Medicaid

If your income drops significantly during transition, you may qualify for Medicaid — free or very low-cost coverage. You can apply any time of year at HealthCare.gov.

Spouse or Partner's Plan

Job loss is a qualifying life event allowing you to join a spouse or domestic partner's employer plan outside of open enrollment. Often the most cost-effective option if available.

STEP 4 — BUILD OR PROTECT YOUR EMERGENCY FUND

→ Target: 3–6 months of essential expenses in a separate savings account
→ If your emergency fund is your transition fund, treat it as sacred — only Tier 1 essentials
→ Open a high-yield savings account to earn interest while funds sit (look for 4–5% APY)
→ Even saving $25/week during transition adds up — consistency matters more than amount
→ Resource: CFPB Emergency Fund Guide — consumerfinance.gov (search "emergency fund")

STEP 5 — ADDITIONAL FREE RESOURCES

→ CFPB "Your Money, Your Goals" Toolkit — consumerfinance.gov (comprehensive free financial empowerment guide)
→ NFCC Financial Counseling — nfcc.org — Free or low-cost counseling from nonprofit credit counselors
→ USA.gov/benefits — Check eligibility for unemployment insurance, food assistance, and other benefits
→ MyMoney.gov — Federal financial literacy resources across all topics

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