

Ask an Expert: What to Do if Your Income Drops – A Four-Step Financial Survival Plan

06/12/2026

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When income drops suddenly, it may feel overwhelming, but it doesn't have to lead to financial ruin. Whether due to job loss, reduced hours, or unexpected life events, there are practical steps you can take to stabilize your finances and regain control.

Consider this four-step plan to help manage a temporary income loss and build a short-term financial strategy using your existing resources.

Step 1: Take inventory of your financial resources and expenses. Before making any decisions, gain a clear picture of where you stand. Start by listing all your monetary and human capital resources, including cash on hand, checking and savings account balances, property or assets (vehicles, jewelry, collectibles), and skills, education, and time (human capital).

Next, inventory your monthly expenses by categorizing them as: **fixed expenses** (mortgage, car payments, insurance), **flexible expenses** (groceries, utilities, gas), and **occasional expenses** (upcoming registrations, gift giving, etc.) Don't forget to identify local community resources like food banks, utility assistance programs, or job placement services. Websites like 211utah.org can help you find aid in your area.

Step 2: Brainstorm ways to cut costs and boost income. Now that you have a financial snapshot, find ways to simplify your lifestyle and reduce spending. This can include: practicing step-down spending (e.g., cooking at home instead of dining out), cutting non-essential expenses, applying for temporary assistance programs, and communicating with lenders to negotiate reduced payments or forbearance.

At the same time, look for ways to increase income, such as taking a part-time or freelance job, selling items you don't use, having other household members contribute if possible, and applying for unemployment or benefit programs. Write down all ideas—even the ones that seem minor. They can all make a difference.

Step 3: Create a short-term financial plan when income drops. Based on your inventory and ideas, build a custom short-term plan that addresses your most urgent needs. Prioritize the essentials first, including food, housing, utilities, transportation, insurance, and medications. Then, set specific steps you can take today, this week, and this month. Keep the plan realistic and adaptable.

Step 4: Review, revise, and rebuild. As your situation changes, revisit your plan regularly. Adjust as you learn more about your finances or gain access to new resources. Once your income stabilizes, focus on rebuilding. Replenish your emergency fund, restock essential supplies, reprioritize delayed purchases, and continue using mindful spending habits.

Losing income is stressful—but it is manageable with the right strategy. By taking a structured approach and leveraging both personal and community resources, you can weather the financial storm and emerge more resilient than ever.

For housing questions, contact a HUD-approved housing counselor. For financial tips and resources, visit consumerfinance.gov, or check out UtahMoneyMatters.org. You can also download “What to Do When Income Drops.”

Contact

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