

How to cope with salary delays and not hurt your money life

Building an emergency corpus is very important to ride out the irregular salary phase

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When a pilot working with a major airline did not get his salary on time for a month and then for another, he thought it was just a passing phase. But after five months of delay, he thinks it's become the new norm. "There's a delay of 15-20 days every month," said the pilot, who spoke on the condition of anonymity as he is not authorised to speak to the media. "The money crunch is resulting in mental stress which can have an adverse impact on flight safety as well," he said.

Two Indian airline companies have delayed employee salaries in the recent past. Air India delayed salaries of over 20,000 employees for most months in 2018, according to a recent *PTI* report. Worse, it defaulted on salary payments for the second consecutive month in December 2018 (read more at bit.ly/2FyQWi9). Jet airways too has deferred salary payment to its senior staff (read more at bit.ly/2ANDgff).

For those having salary as their only source of income, a delay can mean a lot of financial stress. "Most people join the service sector for fixed salaries but in today's scenario the way companies are getting trapped in debt, nothing can be guaranteed," said Shweta Jain, founder and CEO, Investography Pvt. Ltd.

Putting in place a few precautionary measures can help you sail through such a situation.

HAVE AN EMERGENCY CORPUS

Like most salaried individuals, the pilot, who is in his late 20s, never realised the importance of an emergency fund for a long time. "The concept of emergency fund is actually non-existent among the salaried class. Even people who start saving in their 30s start off by buying insurance and real estate but do not keep money aside for emergencies," said Jain.

Usually, any change in cash flow affects fixed expenses like rent or school fees, said Vishal Dhawan, founder, Plan Ahead Wealth Advisors. "Liabilities such as EMIs could also get disturbed. All this requires fixed income and in case of a delay, an emergency corpus can help," said Dhawan.

Financial planners suggest you should have at least six months of expenses in your emergency corpus. Otherwise, you may end up taking on debt or liquidating your assets or dipping into savings meant for other goals.



JAYACHANDRAN MINT

RELOOK YOUR INVESTMENT

Delayed salary could disturb your regular investments such as SIPs. "When your income becomes irregular, your investment strategy also needs to have corresponding flexibility to deal with the changing cash flow," said Dhawan.

"It is important to have a good mix of flexible and non-flexible investments to deal with uncertain cash flows."

Withdrawing funds from an investment meant to serve a future goal to continue current investments is not the right solution. "SIPs can be stopped if you don't know what will happen and are not getting regular monthly income," said Jain. Most fund houses and aggregators allow you to pause your SIP a couple of times and restart it once you have the money.

If you have an emergency fund in place, you may not have to stop your investments in the first month, but if salary delays continue, you can stop your SIPs temporarily and then invest a lump sum every month when the salary comes.

"If you pause your SIP for two months, you may actually not invest the two months' amount at all. Whereas, if you do a lump sum—when the salary gets credited to your account—you won't miss out on investing, even if delayed," added Dhawan.

Remember that each time your SIP is due and your account doesn't have sufficient balance, your bank could charge you for a failed transaction (₹100-700).

Also, you may have to change the kind of funds you invest in to replenish the emergency fund you have dipped

into during the irregular salary phase. "You will ideally have to invest in fixed-income funds or flexible fixed deposits because you need to shore up your emergency fund," said Dhawan.

KEEP AWAY FROM CREDIT

Having to support a retired father, a homemaker mother and a sister who is still studying and yet not get tempted by credit or personal loans is not easy. Even with so many dependants, the pilot we spoke to has chosen to stay away from credit cards or loans.

"I've adopted a few lifestyle changes like cancelling my Tatasky connection which was challenged by my mother. I've introduced her to online channels now. While paying off my bills I try to get cash backs which are in plenty after demonetisation. I wanted to upgrade to a new car but I'm trying to control that urge for now. I continue to drive my 11-year-old car," he said.

Using credit cards to deal with day-to-day expenses is not advisable because often it turns into a vicious cycle of debt. "Taking a loan and then repaying it could delay the time taken to bring your financial life back to normalcy," said Jain.

WHEN TO CALL IT QUITS

The pilot said many of his colleagues have already put in their papers because of the increasing financial stress. He hasn't resigned yet because the notice period is six months long. "I have to deal with six months of delayed salary cycle to get out of this situation.

We have signed a contract which mandates us to pay off liability damages amounting to ₹50 lakh if we quit before the bond expires," said the pilot who's been working with the airline for three years; the bond expires after five years subject to extension. "So leaving the company is not easy. A few of my friends have taken personal loans to pay off the company just to get hired by an airline that pays on time," he added.

If you're in a similar situation, when do you decide to quit the organisation? Changing jobs could come with its own problems. In some cases, you may not get the same pay, and if the current job is your only source of income, you may not be ready for a pay cut. "While it's not ideal to accept a pay cut from an individual's perspective, one should consider the shift given you would at least get opportunities outside to rebuild your career which is unlikely to happen if you latch on to a sinking ship," said Rituparna Chakraborty, executive vice-president and co-founder, Teamlease Services.

If your employer is defaulting regularly and there is no solid communication about bringing the pay cycle back to normal, weigh the pros and cons of continuing in the organisation. "If it's a big company and salaries have been delayed for more than two months, start looking out. Take up a new job even if it means a similar CTC. Waiting it out too much could come as a disadvantage if people in the industry learn about the situation," said Jain.

Building an emergency corpus is important to ride a temporary crunch. But you also need to be smart to know when to fold up and walk away.

Sabari Saran contributed to this story