

Finance for the Self-Employed in Times of Crisis

We are hit by the sudden effects of the crisis being self-employed ourselves – as are many friends and colleagues. Cancellations and the resulting loss in income came very quickly. Thus, we want to share our expertise on finance and mindfulness here and in a webinar coming up shortly. And we hope to contribute a little bit to easing the situation.

Open eyes and open heart

The Corona-crisis is hitting many on a substantial, base level – financially and emotionally. Therefore, this blog article covers two areas:

Part 1 covers the financial base. It is about inquiring into the financial situation and the financial reality with open eyes. Only then improvements are possible.

Part 2 is about the open heart, our emotional state. The individual emotional state strongly affects how clearly we perceive the reality and how well we can act on it.

For some it may be easier to start by looking at the finances first and only then to look at the emotional part. If that seems right for you, please go to Part 1: Liquidity Management.

Others will benefit if they start working on their emotional state. Simply jump to Part 2: Emotional Support if that is your starting point.

Part 1: Liquidity Planning

We split the work of liquidity planning into a few steps. Take your account statements of the past 6-12 months and work through the positions. This will help you gain an overview of your situation, how it is. From there you can then decide what to do. Here is a simple Excel-sheet that can help you in this exercise.

Step 1 – Status Quo:

It might be a bit painful with some uncomfortable truths showing up. However, a cash check – how much money is available – cannot be avoided. To do so, you will need to net the short- and medium-term assets against the short- and medium-term liabilities. If you have not done this previously, here is a first, quick overview:

My assets

This part covers all the assets you have. I.e. the balances on any kind of account including money market accounts as well as cash in your pocket / at home.

My liabilities (the accounting term for invoices one has to pay)

Any invoices you will have to pay, credit card obligations and other known commitments to pay out money.

The net amount of assets and liabilities will give you a first indication where you are headed in terms of liquidity.

Step 2 – Cash Flow Analysis: Where does the money flow to?

This second step is about the ongoing cash outflows and gaining clarity about where you can reduce cash outflows, short-term or medium-term. You will find a pretty comprehensive list in the Excel file. However, please add anything that is not covered there. Following is a first overview.

Tax Prepayments, Health Insurance Payments, Retirement Accounts and other Insurance Payments.

It may make sense to (temporarily) reduce or defer certain of these payments. Depending on the system you are in, you may get various possibilities for doing that.

Medium- and long-term loans

Office rent and other license / leasing payments

Apartment / Flat: Rent and utilities.

Cost of living

Anything you need for living from groceries, health, exercise / movement, car or similar. This is about what you really need for living and where you only have the choice to shop at more or less expensive shops. Mobile phone cost is included here as well.

Life-Enrichment

This covers areas such as garden or balcony, clothes and shoes, streaming, books and magazines, travel and vacation. Anything you don't need for living but simply for life enrichment.

Step 3 – Reducing Expenses.

The easiest and fastest way to improve liquidity is by reducing expenses. There are some obvious positions to do so, such as clothes, shoes, cinema and restaurants as well as less obvious positions:

Tax Prepayments: These days tax offices will likely accept a reduction in tax prepayments.

Health Insurance: You may be able to switch plans or inform your insurance carrier of your reduced income expectations (for instance in the German public health insurance system) resulting in reduced payments.

Retirement Accounts: Similar here, you may be able to reduce or stop payments. Certain schemes may offer deferrals where you might be able to catch up at a later point. If you reduce your retirement accounts, just don't forget to build it up later on again.

Office & flat rent: Talking to your landlord may lead to a reduction or deferral if you need it. You are not the only person in that kind of situation. In Germany there is also talk about a special fund set-up to protect both, landlords and renters from the worst. Please keep your ears and eyes open for any upcoming developments.

For any of the other positions: Check what you really need and what you may be able to reduce. Also, consider what need the life enrichment expenses are geared at: Can you find another way to fulfil that need?

Step 4 – Income

We believe that looking at your income projections requires a good pause for self-reflection: Where am I at in between the polarities of pessimist ----- optimist? How does my position affect my view on reality? Do I tend to overestimate what is possible? Or do I tend to overestimate the challenges and threats? Honest, open friends and colleagues may be able to provide some good feedback here. Given that starting point, take a look at:

Payments from customer

Who are my customers? How will they be affected by what is happening? Which payments are still outstanding? What can I claim? What rather not?

An open conversation with your customers about the situation (theirs and yours) and their plans is often helpful. Also, consider the emotional state of your client as it may change as much as your own or more.

Then, start make a list of your expected income in the next months based on that feedback. If you are an optimist: It might be reasonable to make some kind of risk adjustments (- 10%, -30%, ...). If you are on the pessimistic side you will likely do that anyway.

Other kinds of liquidity improvements

The corona crisis will not last forever and at some point in time business will pick up again. Thus, it may be reasonable to look for sources of liquidity for this time period.

How can I create additional liquidity? Meaning the inflow of money? Which programs are launched, such as bridge loans? Who may provide that kind of information?

Important: The time horizon

We believe it is important to cover the upcoming 6-12 months for the liquidity planning. At the moment it is very uncertain, for how long and how strongly the economy will be stalled. Short-term measures should be prioritized, for sure. And then you may want to keep your eyes on medium-term measures.

Also, understanding what measures will be needed when gets much clearer if you open your eyes for the longer term. When might you want to sell certain investments? When might you want to look for support from the public support system in your country or state? Or apply for a bridge loan? What are further options if you consider the longer term? Do I want to stay in this kind of situation? Or maybe make a new kind of offering, switch jobs?

Part 2 – Emotional Support

Let's take a short look at human reality: Human beings are pre-set to recognize dangers as quickly as possible in order to mobilize inner, physical resources. One of the deeper layers in our brain permanently analyzes whether there is threat or not. This is one of our default settings.

And, even worse in the current situation: At this level our brain does not make a discernment whether the threat is a threat to our body or our life or “only” for our status,

material security, appreciation from others, the “love of our life” or professional success. If our identity is threatened, this part of our brain reacts as if our life was threatened.

The current crisis is a threat to all the above-mentioned areas: Health (body and life), status, material wealth, and even appreciation in our everyday work are threatened. And measures of social distancing even take our everyday support from our social activities away.

The result: We easily miss important parts of reality and make potentially bad decisions or no decisions at all when our brain is in “threat mode”.

So, the important question is: What can we do to leave “threat-mode”?

Two typical and automatic reactions actually make the situation worse: Both, expressing and suppressing the emotions arising from “threat-mode” are not helpful. What, then, can we do instead?

Self-Compassion: Accepting what is

Accepting what is, i.e. perceiving and recognizing the feelings and the resulting habitual patterns is a good starting point.

Humans react to danger and stress by using different habitual patterns: Some use the “ostrich-tactic” of denial (“it is just another fly – why all the fuss?”). Others move into defense mode (and start buying a lot of things) with an impulse of running away or of fighting. Then there are some that see all the wonderful possibilities and opportunities that “will arise” from this new situation. Some simply want to help and care for others while others focus on their closer personal and social relationships. All these habitual patterns can be reinforced in stress mode.

There is no “right” or “wrong” with any of these habitual patterns: They were helpful and supportive at some time in our life – that is why we developed them. However, each of these patterns makes us fixate on a certain, specific part of reality while excluding other aspects of reality. This is why it is good to become aware of these patterns, accepting them and recognizing their limitations. In oneself and in others. Then it may get easier to change one’s own pattern and to learn from the perspectives of others with different patterns.

What can help for accepting?

- Naming: For some people it is easy and helpful to remind oneself that the “threat-mode” is one of our default settings and then to simply name the feelings, such as fear, anxiety, sadness.
- Activate body-sense: For others it is good to activate their body-sense by simply feeling the movement of breathing, the feet how they touch the floor or the sitting-bones connecting to the chair. Or the movement of the body when taking a walk. Often it gets easier to accept the feeling of fear when we also have areas in our body where we feel comfortable.
- Talking to each other: Yet others benefit from talking to each other – mindfully expressing and listening. Speaking about one’s fears without the fears being judged can be very healing. Simply listening with giving advice or commenting can create a

feeling of open, supporting interconnectedness. Both are important:
Expressing and listening.

Emotions are like waves: They change and pass if we don't feed them.

All feelings come and go and change continuously. We can feed them by looking and thinking about "facts" that fit to the respective emotion. This is our very own, built-in filter bubble. Right now there are a lot of "facts" in the (social) media channels, that easily activate the "threat-mode" in our brain.

And as our brain is trained to recognize danger, many are easily drawn to these "facts". You can use some micro-practices to break out of this habit:

- Deep breathing with exhaling a bit longer than inhaling can help for stepping out of the thinking spiral.
- Taking a walk and other types of physical movement, even simple things such as doing the dishes, working in a garden or cleaning the flat can re-focus attention.
- A beautiful song or story or simply talking with friends.
- Small, regular physical exercises, in particular those that bring our awareness into our body, like Yoga, Chi Kung or Tai Chi can help us in finding a good body-sense feeling and returning into the here and now.

In any case: It is worth reducing the time spent on reports and texts activating the threat-mode. How often and how much do we really need to get informed about what is happening "out there"? What, instead, helps to recall, create or move into a good inner feeling? And then in particular: How can I feed these good, comfortable feelings?

Cultivating Joy or Gratitude

Cultivating joy or gratitude (or both) are simple ways for creating new neural highways in the brain. We could talk about three (or more) things or situations that created joy or gratitude in us once a day. With our family, our friends or our colleagues. Simple things, such as the spring blossoms on the tree or the birds chirping, the food on the plate or the laughter of a child. Talking about these situations can help us recall the feelings connected to them. Also, doing it every day our brain starts scanning for such moments: The focus of our attention is changing.

Which three moments gave me joy?

Which three things or situations am I grateful for?

How about making this a daily routine at the dinner table? Or right before going to bed?

Perspective Taking

Compassion can thrive when one starts to realize and respect that human beings react differently to threat (see above). Accepting this truth can help develop curiosity and openness about how the other person perceives reality and what might help them. Asking open, curious questions. Often it is better to ask another person whether he or she is afraid or worried rather than pointing it out.

Mindful Listening

Practicing mindful listening works like this: One person talks while the other person listens. The listener does not comment and refrains from giving advice, but remains well grounded

and listening from a good connection to self. This kind of communicating doesn't work all the time as most people are not used to it. However, when it works, it can be very healing.

Of course, both participants may benefit from mindful listening.

Feeling from Body-Sense

Emotions have a number of aspects: One of them is a feeling in body-sense, e.g. the cramping in the abdomen area; heat in the chest; contraction of certain muscles; Another one is an idea or a concept, such as "I will fail." or "I have to break free."). Often the idea or the concept dominates and fixates the feeling. This blocks the feeling from changing, the wave from subsiding. If one manages to simply feel the body-sense sensations without commenting on it, the feeling can take its due course.

That, however, is often easier said than done. Thus, this recommendation has two parts:

Intentionally staying in an area where there is a comfortable feeling sensation: Many people feel uncomfortable feelings much more often than comfortable feelings. At the same time according to research in positive psychology we on average have more comfortable feelings than uncomfortable ones. The comfortable ones are just "quieter" and less intense, so that we more often pass over them. Thus, intentionally resting in comfortable feelings creates a better awareness for these body-sense feelings. And we feel better! 😊

Exploring uncomfortable feelings by just feeling: The advanced version and practitioner may "simply" explore the uncomfortable feelings. If one moves to the direct perception of feeling without intervening narratives, it is possible to experience all the changes and the subsiding of emotions. This is simple. However, it is not necessarily easy. A coach, counselor or advanced practitioner can help with this kind of practice.

Finally, let us add one comment: We experienced a number of quite intense emotional waves in the last days. We are still alive. We are breathing. Probably there will be more of these waves heading our way in the next weeks. What if we were courageously permitting ourselves to feel these feelings? Or to even curiously explore them without falling into them?

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