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*Building the Best Organizations in the Insurance Industry*

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## **8 Reasons You Should Take a Pay Cut**

*"Some Situations Present a Compelling Case for Taking Less Money"*

By Dawn Dugan, Salary.com

### **Less Can Be More**

Just a few decades ago, the thought of taking a pay cut was preposterous. A history of a steadily climbing paycheck as you advanced through your career, gaining experience and promotions, was seen as proof that you were on the right track. The idea was "more, more, more" and if the number of zeroes dropped, so too did your standing.

Times have changed. Today, salary ups and downs are seen as par for the course. Given the unsettled economic environment, the only rule about salary is that there are no rules. In a society that has been taught to pursue ever-increasing paychecks, we are learning that sometimes taking a pay cut can actually be the more prudent career move. Here are seven situations in which it makes sense to take a cut in pay.

#### **1. You Want to Stay Employed**

Sometimes it's better to be paid less, than not at all.

According to a study done by human resources consultants Hewitt Associates, 16 percent of large organizations have trimmed base salary during this recession. FedEx, The New York Times, and Hewlett Packard are just a few American companies that have chosen pay cut reductions over layoffs. Even in the lucrative entertainment industry, Jay Leno agreed to a 50 percent pay cut to accommodate budget cuts at The Tonight Show.

Pay cuts aren't ideal, but many see them as the lesser evil during tough times when organizations are faced with the choice of reducing wages, or letting employees go.

#### **2. You Want to Change Careers**

If you're stressed out at work, maybe it's not because of the long hours or the demanding workload. Maybe you're in the wrong job.

Most of us choose our careers when we're young, and often for the wrong reasons -- because someone else thinks we should, or because of the money. According to a study done by Towers Perrin, 55 percent of workers feel they may be in the wrong job. If you are able to identify a job that fits your passion, natural skills, and purpose, don't dismiss it just because of the paycheck. Talk about it with family, do all the necessary math regarding your expenses, and if you can swing it, go for it.

#### **3. You Seek Fulfillment**

If your job is boring or you're suffering from burnout, you won't be happy no matter how big your paycheck.

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Tom Low, former CFO of Restoration Hardware, Safeway, and Ask Jeeves, gave up gazillions to work for the non-profit East Meets West Foundation, an agency that serves disadvantaged people in Asia by offering improved healthcare, clean water, and sanitation. Granted, not everyone is lucky enough to have the option to do what we love. But if you find work that resonates with you that you can make work even at a reduced salary, you'll give more credence to the adage "Money can't buy happiness."

### **4. You Want More Advancement Opportunities**

Believe it or not, there are situations in which one step back on the salary path can yield two steps forward.

If you believe taking a pay cut will yield greater opportunities in the future, go for it. It makes sense to take a step backward if you are moving from a small organization to a larger one with more job opportunities, a more robust organization, or an industry in which you bring your skills and experience, but no industry-specific expertise.

To determine if taking a pay cut is worth it, take a look at what the future may hold. Making less money may be a tough pill to swallow short-term, but hard work and advancement could have you earning even more than before in a fairly short amount of time.

### **5. You Want to Start Your Own Business**

If you want to go out on your own, realize that you may take a significant pay cut in the short term.

As a matter of fact, most studies show it takes about five years for a successful new business to enjoy sustained profits. But if you develop a solid business plan, have plenty of savings to keep yourself afloat, and plan so that you can swim through the inevitable choppy waters, you may end up making significantly more money later on.

And some people will argue it's worth almost any pay cut to be your own boss.

### **6. You Want to Move**

Making big city bucks, but hate living in the city? A reduction in pay may be worth it if you want to make a lifestyle choice and move to an area that better suits your budget, personality, and interests.

Moving to an area with a lower cost of living will most certainly mean a smaller paycheck, but the good news is your living expenses will be cut. In the end, there may be more opportunity to save, especially if the decreased cost of living offsets the pay cut. Besides, you can't put a price on loving where you live.

### **7. You Want to Improve Your Work/Life Balance**

A survey done by Mom Corps showed that nearly half of all working adults in the United States -- 45% -- would be willing to give up a percentage of their salary for more flexibility. As long as you can make it work financially, a reduction in pay may be well worth being able to work at home, have a work schedule that allows you to spend more time with family, or give you more time to spend on important interests and hobbies.

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After all, no one ever sat on his/her deathbed and said "I wish I spent more time at the office."

### **8. You Want a Shorter Commute**

Jobs are increasingly scarce, so finding a good one means many people hold onto it and make it work at all costs. Hence the rise of "super-commuters" --- -- defined by NYU's Rudin Center for Transportation as a person who works in the central part of one metropolitan area but commutes a long distance there using rail, bus, car or air from another -- were on the rise in eight of the 10 largest metropolitan labor forces in the United States. But whether you're crossing multiple state lines to work or wasting away in the more commonplace gridlock of native to major metropolitan highways, there is no faster way to drive yourself crazy than endure the daily grind of a stressful ride to and from work.

Also, with gas prices exceeding \$4 per gallon in many parts of the country and transportation costs in general on the rise, you could get to a point where the cost of commuting makes you question keeping the job. So even if a new job pays less, if it's closer to home you could realize big savings -- both for your wallet and your sanity.

### **Cuts Aren't Always Painful**

While a pay cut can be hard to accept, both financially and emotionally, look on the bright side. A reduction in salary isn't the end of the world like it used to be. A pay cut may increase long-term opportunity, align your interests and skills with your duties, and allow you to do something you love.