

WAYS TO AVOID GETTING SPOOKED OVER ECONOMIC TRICKS



Many Americans feel like Halloween came early, and it was no treat. Not only did the black cat of economic distress walk in front of their house, but it apparently came inside and took up residence with no signs of vacating the property anytime soon.

The country is experiencing a credit crisis along with a crisis of confidence. Job losses dominate the news. Housing prices continue to decline. The value of retirement plans is evaporating. And perhaps worst of all, Americans have the sense that they're powerless over their financial future.

Family Foundations suggests that even in these tumultuous economic times, there are things over which consumers have control. Putting the following advice into place will help secure your financial well-being and survive the rough financial storms in the forecast.

- **Know what your investments are.** In good times it's easy to sit back and put your investments on automatic pilot. Now is an ideal time to dig deep and fully understand your portfolio. It is likely that your retirement plan invests in mutual funds. Go to www.morningstar.com to learn more about them.
- **Don't panic if you house has lost value.** Unless you are forced to move right away, up and down housing cycles are simply a part of homeownership. Admittedly, this downturn is steep in some markets, but your loss is only on paper unless you have to sell now. If possible, ride it out and enjoy the fact that you're in a home that you can afford. However, if you're struggling to make the mortgage payment each month, reach out for help and reach out now. The longer you wait, the fewer resolution options will be open to you.
- **Secure your job.** Do everything you can to make yourself invaluable and indispensable at work. Show up early and stay late. Volunteer to work on special projects. If you happen to be in an industry where layoffs are probable, update your resume and if necessary, begin job retraining. Start networking and attend job fairs. There are likely to be many well-qualified job seekers, and you want to stay at the front of the line with a sharp skill set.
- **Pay down debt.** The financial survivors will be those with little or no debt. This is a tall order if your budget is already stretched. There are three choices: increase income, decrease expenses, or both. As burdensome as a second job may sound, the relief it will bring by being able to reduce debt will more than offset any inconvenience. You don't have to keep it forever, just until you regain your financial footing.
- **Reduce expenses.** Have a family council and get everyone involved with the saving money challenge. A joint effort yields a greater result, and you'll be amazed at the areas in which you can cut back and never notice the difference, except that your wallet is fatter.

- **Don't put new debt on top of old.** This is a hard time to think about cutting back on spending. After all, we're coming up on the biggest shopping day of the year. Of course, paying with cash or a debit card is best, but if you must charge, spread it out. Start your holiday shopping now. Retailers are plenty worried about moving the goods off their shelves, and mark-downs have already begun. They may not be as deep as they will get as the season progresses, but if you begin buying now and spread out your charging, each monthly bill won't be as large as if you'd waited and purchased everything in December. This increases the likelihood that you can pay for your purchases when the bill arrives instead of spreading out the payments over time and paying interest on top of interest.
- **Postpone any major purchases.** Unless there's a legitimate need, put off buying anything that would further strap your budget. Car repairs are usually less expensive than car payments. Laundromats aren't as convenient as doing the wash at home, but quarters are easier to find than new appliance payments.
- **Protect your existing credit.** Credit is hard to obtain in this current environment. Therefore, you need to treat your existing lines responsibly. Never make a late payment, short payment, or skip a payment. And, don't charge more than 30 percent of your available credit. These are red flags to lenders that could potentially move you into the risk category at which point the lender could raise your interest rate and lower your credit line. If this happens, you run the risk of having your credit score decreased, thus limiting your future borrowing power.
- **Start or add to your rainy day fund.** This is another hard thing to accomplish when money is tight. Nonetheless, having an emergency fund will provide you with a cushion of support that you'll never regret. Start small by depositing 10 percent of each paycheck into an interest-bearing account. Here's the key: forget the money is there and vow to not touch it except in the case of a true emergency. At the end of a year you'll have a little over one month's income socked away.
- **Don't hesitate to reach out for help.** Problems won't solve themselves, and there's no reason to try to figure out complicated financial matters on your own. Book a session with a certified credit counselor and review your cash flow and debt obligations. They are experts at finding hidden money in budgets, and can offer professional guidance along the journey to financial stability.

Family Foundations stands ready to help. To reach us, call (904) 396-4846 or go online to www.familyfoundations.org.

About Family Foundations

You don't have to solve your financial problems alone. Family Foundations has trained and certified credit counselors who offer financial management and debt reduction services. Family Foundations is a nonprofit, community-based organization and a Member of the National Foundations for Credit Counseling (NFCC). For more information on Family Foundations, call (904) 396-4846 or visit www.familyfoundations.org.