



What Should I Do in These ‘Interesting’ Economic Times

“The best defense in these interesting economic times is to do nothing out of panic,” says Brent Neiser, a Certified Financial Planner (CFP®) and director with the National Endowment for Financial Education® (NEFE®). “People react emotionally without information about situations that apply to them.

“With stock and bond markets resembling more of a roller coaster ride than anything else, many investors consider cutting their ‘losses’ and race to the sidelines, hoping for a buying opportunity when the market hits bottom and starts to move upward,” says Neiser. “But no one can really call the bottom right now, and with even the savvy professionals getting surprised these days, ‘market timing’ is at best a risky proposition.

“Unless you *need* the money very soon for a kids’ college tuition, to replace a car or some other ‘must do’ big ticket purchase, your best bet is to continue investing in your 401(k) and make few if any changes in your portfolio,” warns Neiser, adding “everything that happens between the day you buy a stock or mutual fund and the day you sell it is either a ‘paper’ gain or a ‘paper’ loss. Sometimes it is easy to forget that you only ‘lose’ money when you sell something for less than you paid for it.” For your long-term investment goals, like retirement, you should be poised to capture the recovery and upward swings of the market when they happen. Neiser suggests you continue to contribute to your 401(k), at least up to the “company match” threshold. “That’s ‘free’ money,” says Neiser. “Take it unless you absolutely can’t afford to.”

And Neiser says looking at your investment and retirement portfolio are just two of the things you should be thinking about these days. Do you have an adequate cash savings cushion for emergencies? Neiser advises keeping three to six months of ready cash to cover unexpected circumstances. “You don’t want to have to be selling investments as the market is going down just to pay the mortgage or put food on the table.” Among his recommendations: Stash your cash in a money market account or even a checking account that pays interest to keep your cushion safe from market swings and, more importantly, liquid.

No matter what the stock market is doing, now is a good time to answer fundamental questions. Do you know why you are in the market, for example, investing for specific long-term goals (more than five years)? Do you know your income and expenses? Do you know where you could cut back? Undoubtedly you already know the areas in your spending where small amounts of

money seep away. Whether it's the daily coffee drinks, dining out or impulse purchases, the financial drain can add up.

Awash in credit card debt? "While it's important to pay yourself first, why would you want to continue paying 18 percent interest rates on unsecured debt while you earn just 2 percent on your savings?" "Pay off your plastic and get rid of them," Neiser adds.

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Especially close the cards with annual fees, but never the ones you have had the longest as that will hurt your credit score. And realistically, you only need one credit card, preferably the one with the lowest interest rate and the lowest fees.

If using a credit card is just too hard of a habit to break, find one with a low or no annual fee or one that gives you points or other bonuses that *you can use*. There is no sense in accumulating airline miles if you hate to fly or can't afford other travel expenses. Remember, be responsible and pay the card off monthly, when the bill arrives to avoid a late fee.

Also this is a perfect time, says Neiser, to take a hard look at how you are protecting your assets through auto, home, life, disability and health insurance policies. Consider taking higher deductibles when you can and put the savings from lower insurance premiums into a dedicated "insurance deductibles" savings account. If nothing happens, then you have an account with money in it. And should something unforeseen happen, you have money to help cover the increased deductible.

This also might be a good time to evaluate your career and job skills. Are your skills comparable to those looking for jobs similar to yours? If not, now would be a good time to think about taking a class, either at night or online, to keep yourself

competitive in the marketplace.

And frightening as it may be, you should scrutinize what you do and where you do it. Companies are constantly re-evaluating why they are in the businesses they are in and where they are doing that business. What would you do if your employer decided to move out of state or out of the country, or just folded altogether? At least consider options and possibilities so you do not get blind-sided.

Above all assures Neiser, "don't panic." Take time to sit down with everyone in your family and talk about finances and the future and develop a plan. The economy looks to provide an

interesting next couple of years, but Neiser says “a good financial and life plan will help smooth out the ride.”

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