

Financial Management in Troubled Times

Today, the best thing you could be doing for the economy is to spend as you normally do in good times. With today's economic climate, it is difficult to do what should be done. We don't know from day to day whether we still have a job or our spouse does and we do not know what the prices of necessary items will be over the next week or so. For these reasons, people are understandably cautious with their money today and for good reason. To help you get through this trying time, I offer the following suggestions.

CREDIT CARDS

Do not use credit cards to see your way through these times. They will only prolong your pain and may cause you more pain in the end. If you cannot pay the entire balance on the credit card when it comes in monthly, cut up those cards and do the best you can to pay off the balances as soon as possible. Credit cards can be a wonderful thing in the right hands, but an unbelievable disaster in the wrong hands. If you use a credit card for convenience and pay the bill each month, you get to use the credit card company's money for about 30 days or so without paying any interest. On the flip side of that is when you do not pay the card in full each month and get stuck with an 18% to 23% per year interest charge. Do not do it. That interest charge could be used for necessities. If you are in this predicament, call the card company and ask for a lower interest rate or look for a company with a lower rate and transfer your balances to the new company.

MORTGAGES

Some people find themselves falling behind on their mortgage because they took out the mortgage or refinanced it when times were good and their incomes were higher for various reason such as overtime pay or multiple jobs and so on. Today, they find themselves trying to keeping up with the mortgage to save their house. If you are having trouble keeping up, talk to your bank or financial institution. Ask if they can refinance the loan to stretch out the payments longer or give you a better interest rate. Do not ignore the problem; it will undoubtedly result in a foreclosure on your home.

TAXES

If you are still working, check with your payroll department to determine what exemptions you have selected for tax purposes. You may want to increase your exemptions to lower the amount taken for taxes, especially if you usually get a large refund at the end of each year. This will give you the money now, when you most need it rather than to wait until the taxes are done in April. While I am on this subject, also consider the use of a 401(k) plan if your company offers one or an IRA if they do not. This also reduces your taxes because the money invested is taken off of your income before taxes are calculated. It may not help your immediate need for cash but if you can afford to do it, it certainly will help your future need for money when you retire. This is also a good time to get your funds into the stock, mutual fund and bond market, since they are at lows that we have not seen for years. Investing the 401(k) money in the market over the long term should reap significant benefits for the patient investor. Once the money is invested, leave it alone until retirement. Withdrawing the money prematurely results in excessive taxes and penalties.

SHOPPING

Shopping for food, clothing, and other essentials is an important activity in conserving one's assets and cash. Buy only what you need, do not waste and forgo that which is a luxury, for now, to get by during these times. The important thing is knowing the difference between what you need and how much and a luxury.

HELP

If you are having problems and need some advice, please call us for an appointment to discuss your particular circumstances. We are eager to help. Our free half hour consultation should be sufficient to point you in the right direction or determine how we can assist you further.