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15 Tips for Weathering the Recession

Below are fifteen tips for weathering a recession. Interestingly, while I focused on things to specifically consider during tough economic times, most of these tips can be applied during times of prosperity as well.

1. Conserve your cash and increase your cash reserve fund. Having an adequate cash reserve is important at all times, whether the economy is in a recession or not.
2. Pay down debt, particularly “bad” debt such as credit card debt. Why pay the credit card companies all that needless interest? If you have a \$5,000 balance and pay \$100 per month at a 10% rate, it will take you over five years to pay off the debt and it will cost about \$1,500 in interest. I’m sure you can think of much better uses for that \$1,500 than giving it to the credit card company.
3. Pare spending on non-essentials. What are the absolutely necessary expenses? What is most important to you and what are you willing to scale back on or give up so your income exceeds your expenses? While you may think you have to have cable TV, caller ID and a daily latte, maybe you really can do without some things you might take for granted.
4. Live below your means. This may be common sense but some people need a reminder every so often.
5. Research how not to be a spendthrift. Google words such as tightwad, frugal and cheapskate. You will find numerous tips on ways to reduce your spending. I’ll warn you that some of them are a bit farfetched but you will probably find some very simple ideas to save money.
6. Check your credit report. You may check your report for free at www.annualcreditreport.com. Check one credit report now. Check a second one in four months and then check the third one eight months from now. This is probably the best way to catch an identity theft problem quickly.
7. Assess your job situation. If tenuous, then consider investigating and training for a new career.

8. Stop watching, reading and listening to all the bad news. Recessions are just part of the normal business cycle and we will eventually pull through this one. So, turn off the TV and try not to be discouraged by the gloomy news.
9. Review your investment portfolio and your asset allocation. The stock market has fallen quite significantly so if your asset allocation target is say 60% stocks and 40% bonds, you may need to sell some bonds and buy stocks to get your portfolio back to your target mix.
10. Continue saving and investing for your retirement. Retirement will be here sooner than you think so keep investing for your future needs. This might be a great time to buy stocks at a low price for potential long term appreciation.
11. Take full advantage of the current income tax law. Sell investments at a loss to lock in some capital losses. Consider converting part of your IRA to a Roth IRA. Get a credit for certain energy efficient home improvements.
12. Go for a walk. Get some exercise. Don't neglect your health. Recessions can be stressful and exercise may help relieve some of the stress.
13. Take this opportunity to educate your children about financial planning, budgeting and investing.
14. Count your blessings. Even in this difficult time, remember that things could be worse.
15. Take control of your finances; don't let your financial situation control you.