

Coping with Uncertain Financial Times

Overview

Ways to cope with financial worries during uncertain economic times.

- Focusing on what you can control
- Talking with a financial planner
- Managing your emotions

Money worries are one of the leading causes of stress. When the economy dips, people who are already concerned about their finances may worry that they won't be able to handle any further strain on their budgets. It's important to remember that the nation's economy has experienced highs and lows in the past and will continue to do so in the future. The best way to weather the lows is to manage your money wisely and to find ways to cope with the emotional uncertainty that you may be feeling at this time.

Focusing on what you can control

No individual can control the financial markets or the economic forecast. But you can control certain aspects of your personal finances.

- *Create a spending plan.* A good spending plan compares your actual spending to your income and your debt. This helps you identify your spending priorities. Sort your expenses into "needs" and "wants" to help you make sure that you're covering the necessities before you spend money on nonessentials.
- *Cut back on unnecessary spending.* Track your spending habits for two weeks to see where your money is going. If you have a partner, ask him or her to do the same. Look for areas where you can cut back. Bring lunch to work instead of dining out or ordering in. Make your own coffee instead of buying it. Rent movies instead of going to the theater. Borrow books from the library instead of buying them.
- *Pay off debt.* Credit card debt is among the most expensive to carry. Work toward paying off your credit card balances. If you have more than one card, pay off the one with the highest interest rate.
- *Stop using credit cards.* Get out of the habit of debt spending. Stop carrying your credit card. Put it in a secure place in your home where it will be available for an emergency, but not for everyday purchases.
- *Build an emergency fund.* Financial experts recommend putting aside enough money to cover 3 to 6 months of basic expenses.

Talking with a financial planner

When the stock market is down, many people read their 401(k) or other investment statements, see how much money they are losing, and decide to stop investing. While this is a normal reaction, it's not always the best option. It's important to talk to a certified financial planner before making any decisions about your savings and investments. A planner can help you do many things, including

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- re-allocate your 401(k) accounts to create a lower-risk portfolio
- develop a long-term plan that will allow for ups and downs in the stock market
- think about your short- and long-term goals and create a strategy for achieving them
- determine the actual impact a volatile market has had on your investments

You may also find it helpful to think about how much risk you can handle emotionally. If you are heavily invested in the stock market, you should be prepared for the possibility that you will lose money at some point. If the idea of losing money causes too much worry or puts you at financial risk, you may want to talk to your financial planner about adjusting your investments to match your financial and emotional ability to take on risk. Try to remember that the stock market isn't the only investment option available; there are other ways to invest your money, such as bonds or paying down a home mortgage.

You can find a certified financial planner by looking in the yellow pages, asking friends and family for recommendations, or contacting your employee assistance program (EAP) or employee resource program for help finding a financial planner. However you find a planner, be sure that he or she is certified with the Certified Financial Planner Board of Standards. You may also find it helpful to meet with two or three planners before choosing one. It's important to select a financial planner who you trust and feel comfortable with.

Managing your emotions

If you find yourself often worrying about how you will meet your financial obligations and goals, it's important to learn ways to cope with these concerns. Otherwise, your financial stress could affect other areas of your life.

- *If news about the economy makes you worry, avoid it.* During a market downturn, it may seem as if every newspaper and broadcast is about the falling market and what it might mean for the future. If you find that this kind of news makes you feel nervous, try to limit how much financial news you read, listen to, or watch.
- *Learn some ways to cope with anxiety and stress.* It's important to learn some techniques that will help you relax during times of stress. These could include yoga, deep-breathing exercises, or simply increasing the amount of sleep and physical exercise you get. It doesn't matter what you do to relax. What's important is that you find something that works for you.
- *Avoid making any sudden financial moves based on fear or stress.* Be sure to get expert advice before making any decisions, such as selling your home, borrowing from your 401(k), or changing investment options in your retirement savings plan. An expert can help you determine when the time is right to make a big financial move as well as help you understand the importance of sticking to a long-term plan.

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- *Try to remember all of the other forms of wealth you have in your life.* Focus on relationships with your friends and family, your emotional and physical well-being, and other positive things in your life instead of worrying about your financial situation.
- *Try to focus on living one day at a time instead of worrying about what may happen in the future.* Many people find that making a conscious effort to focus on the “here and now” instead of thinking about the future can help calm financial fears.

If you’ve talked with a financial professional and have tried some of the coping techniques listed in this article but worry or anxiety is making it hard for you to enjoy life or concentrate at work, you may benefit from speaking to a counselor. Contact your employee assistance program (EAP) or the program that provided this publication for more information and resources on coping with stress and anxiety as well as financial planning.

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