Monday, November 10, 2008

Weathering the storm

10 tips to help navigate the turbulent economic times

WALLETS AND POCKETBOOKS

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With the economy nose diving into recession and a turbulent stock market wiping out trillions of dollars in wealth, here are 10 tips to help ride out the rough financial waters.

1. Take stock of your spending.

The first thing people should do is to inventory their credit cards and consolidate debt to minimize interest rates, **said Gary H. Sherr, vice president of Carl P. Sherr & Co.,** a Worcester brokerage. "They should check the rates they're paying," he said. "Interest rates are coming down, but interest rates for credit cards, not so fast. If you're carrying a significant balance, consolidate the highest interest-bearing cards with the lowest. You can transfer balances.

"Call the credit card company and ask for a lower rate. If you're a good customer and make payments every month, that's a customer they want to maintain. If they don't, you can ask to speak to someone else. Or try again in a couple of weeks. You can also say you got a credit offer with a lower rate, and threaten to transfer your balance to that one. You can go eye to eye with the credit card company and see who blinks first."

2. Inventory your assets and track how much you spend.

"Take an inventory of all of your assets and you will feel better knowing what you really have," said Frank D. Ertel**,** managing partner at Legacy Financial Advisors Inc. in Worcester. "Do a daily or monthly budget. If you have that, you know what you're spending. Don't panic when you don't have to. Do you need 3,000 channels on your cable?"

3. Have a reserve of cash on hand.

"We tell all of our clients that they should have three to six months of cash for tough times," Mr. Ertel said. "These are tough times. … If you haven't done that, you should start. Put it into money market accounts, CDs. You want to get the best rates you can, but you want to access it within 30 days."

Put that money in products that will get the best rate, he advised, but make sure CDs are insured by the FDIC.

4. **Have a road map for your finances.**

Anyone can benefit from the counsel of a financial planner, **said Mr. Sherr.** "There are only so many hours in the day, but if someone is confident in their knowledge, they can do their own financial planning," he said. "If they're not sure of their goals, a financial planner is good at identifying goals and putting a plan in place.

"As an example, let's say you want to drive to California. You can look at a map and plan the trip, or just look at a compass and head west. If you use the compass, it won't be long until you will get lost. Having a financial plan is like having a road map. It puts you on the right roads to where you want to go."

Investors who move to the sidelines should not try to pick the bottom of the market to get back in, he advised. "We won't know when the bottom was for six months," **said Mr. Sherr.** "Even the best of the best can never pick the bottom. Put a plan in place and stick with investments that are solid.”

5. **Don’t borrow money to continue your current lifestyle**.

If your income has dropped or you think it is about to, it’s time to rewrite your budget. Make cuts and adjustments if your income doesn’t match expenditures.

“Everyone knows their own situation. Look at your spending patterns over the last couple of months**,” said Mr. Sherr.** “I talk with people who spend more money going to dinner than they put into their investments. That’s a good place to cut from.”

6. **Avoid pulling out funds or taking a loan from your 401(k), and continue making contributions into it.**

Do not stop your contributions. Right now everything is “on sale,” and this is the best time to buy, said Mary G. Haggar, a financial advisor at Edward Jones in West Boylston.

“Don’t focus on the total value of the account, as it has probably gone down, but focus on the increased number of shares you’re purchasing at sale prices,” she advised. “Do not borrow from your 401(k) because you’re ultimately hurting your future retirement. Those dollars are not available to be growing for you.”

And if you lose your job, any outstanding loan balance (borrowed from the 401(k)) is treated as a distribution, and subject to taxes and a possible penalty tax, she pointed out.

If you’re near retirement, you want the right allocation of stocks and bonds, **Mr. Sherr said**. “A simple rule is if you’re 60 years old, 60 percent of your portfolio should be in bonds,” he said. “That’s a very simplistic way of looking a portfolio. Younger folks might want all stocks. A lot of plans have targeted year funds. You pick the year you want to retire, and it will pick a plan for you.”

He advised against taking money out of a 401(k) to put into CDs unless it is on a short term basis. “Retirement funds are designed to grow. CDs will protect you, but not grow,” he said.

7. **Make sure your car and home, two big energy users, are operating as efficiently as possible**.

Drive less, consolidate trips, turn off lights and keep the heat down, Mr. Ertel said. “Your savings will add up,” he said. “Also, a reduction in your power bill will be big. It’s right up there with the mortgage and food.”

Take advantage of home energy audits programs, he said. “If you can cut your heating bill by $300 over the winter, you feel that immediately. You don’t have to buy a new car, but make sure the car is tuned up. Get the most gas mileage out of your car.”

8. Try to determine if your job is fairly secure in a recession.

Donald H. Anderson, director of the Workforce Central Career Center in Worcester, said there will still be a strong demand in health care. “Most of that can’t go anywhere. It’s still one-on-one service,” he said. Law enforcement, education, energy and health care have been generally recession proof, he said. “Its’ hard to look beyond the immediate crisis we’re in,” he said.

“We find that for people with a long work history, it’s hard to think of new and growing fields. If you’re young and starting from scratch, you tend to have more flexibility in what you study. When people come in to us, it’s a case of breaking down their skill sets to match them up in some industries. We can give them ideas they may not have thought of.”

9. **Make yourself a valuable employee**

Show how valued you are, and suggest ways the employer can cut costs, Mr. Ertel said. “It’s budget time, and all companies are looking for ways to cut costs,” he said. “Be proactive in this area. Your boss is looking for ideas from employees. Show you are a team player.”

10. **If your job is in jeopardy, get out of debt as quickly as possible**.

“If someone has a lot of debt, they should try to manage it down,” Mr. Ertel said. “If there’s a lot of debt and they try to get rid of it all at once, that could create some problems. I would be building up my cash. Paying your debt down is always best.

"… If your spouse is not working, it might be a great time to get a part-time job. An extra $1,000 a month might make a big difference at the end of the month."

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