

5 Things to Remember Under Difficult Financial Circumstances

How to put up a financial umbrella if that rainy day is today

BY AUSTIN KILHAM

Most personal finance experts will tell you to put money away for a rainy day, but what do they suggest if you're in the middle of a torrential downpour, just at the point your funds have virtually run out and the roof is leaking?

While the big picture for the economy is looking promising—car sales, housing, manufacturing, and the stock market are all up—there are still a number of discouraging economic indicators. Unemployment hangs at a stubborn high, as does credit card debt. On that latter point, adults born between 1980 and 1984 are estimated to have approximately \$5,500 more in credit card debt than their parents' generation and about \$8,000 more than their grandparents' generation, according to an Ohio State University study recently published in the journal *Economic Inquiry*.

Living paycheck to paycheck provides no financial cushion, says Albert Williams, assistant professor of economics at Nova Southeastern University in Fort Lauderdale, Fla. "Friends and families become one's cushion," he says.

If your personal economy hasn't followed suit with the country's improving economy, don't lose hope. If you're fighting financial battles in the trenches every day, take these steps to get your finances on the right path:

“Whatever your situation, creating a comprehensive plan is the key first step to securing your financial future. Getting a professional perspective can help you and your family take the right steps toward a worry-free retirement.”

— Daniel A. White



DANIEL A. WHITE

Glen Mills-based Daniel A. White & Associates has been helping families make the best decisions for their retirement since 1987. For more information, please call 610-358-8942.

Prioritize. Some bills will always be more important to pay off than others. With so many to take care of, it's easy to lose track of which bills should be on the top of your list. Mary Ellen Nicol, a housing counselor at CredAbility.org, a national nonprofit financial counseling organization, says people should ideally pay their bills in this order of importance:

1. Mortgage or rent
2. Food
3. Utilities
4. Health costs
5. Insurance
6. Student loans or children's college expenses
7. Other debts you've incurred

It may seem odd that Nicol ranks food secondary to the mortgage or rent. Of course, she doesn't advocate starvation—she simply reasons, "There are always ways to work groceries and food into your budget, but you've got to live somewhere."

On the other hand, and as an example of why it's so difficult to make these decisions, Williams has another ranking of importance. If you're really in a jam, he says he would rank the expenses in this way:

1. Basic foods
2. Medicine
3. Electricity
4. Water
5. Transportation
6. Rent or mortgage

Kelley Long, a certified public accountant in Chicago, suggests people who know they can pay one bill but not another pay whichever will keep your credit most intact. She's also a proponent of what she calls the "10-10-10 rule" to evaluate the consequences of financial decisions. "How will [the decision] affect the next 10 minutes? Ten months? Ten years? Whichever outcome has the better effect on the 10 month or 10 years should be the one you choose," says Long.

That may not always work, depending on the situation, but it may keep you from, say, taking out an exorbitant, long-term loan to pay off short-term debts.

Not the time to be humble. If you're new to being impoverished, you may not realize many creditors will cut you some slack if you call and ask for more time to pay. If all you need is a few days or weeks' time due to cashflow problems, don't hesitate to pick up the phone.

If your situation is spiraling out of control—the sheriff's notice is on the front door, credit card issuers are threatening lawsuits for nonpayment, or maybe the problems are just starting to eat away at your nerves—it's high time to call in the cavalry.

"There are many financial advisers who work without fees and many nonprofits that focus on supporting people dealing with debt," says Dan White, a Philadelphia-based financial adviser who has seen many families struggle during the recession.

Stop texting and start talking. Talk to your spouse about what's going on. Tell your best friend. Discuss it with your parents. Someone you trust may not be able to give you money, but they "can help relieve the stress and isolation of facing the problem alone," says White.

What would MacGyver do? Mackey McNeill, a certified public accountant in Bellevue, Ky., suggests picturing your financial woes happening to someone else when trying to think of a solution—then ask yourself, "What creative solutions can I come up with?"

Sharon Lassar, professor and director of accountancy at the University of Denver, suggests sifting through the bills and looking for places to trim. It may be time to cancel the Netflix subscription or scale back on your cell phone's data plan. "If you're able to get to work and run errands with public transportation, consider selling the car to avoid the cost of insurance and maintenance," Lassar says.

All of this advice is easy to offer but can be difficult to follow, especially if you're trying to maintain a certain lifestyle. But whatever you do to mitigate a financial crisis, the experts agree...

Don't panic. It sounds obvious, but it can be easy to forget to stay calm when debt collectors are bombarding you with phone calls, snail mail, and emails, and the numbers in the bank account look like something out of a first-grade remedial math book.

"I always recommend that people make financial decisions with their head—not their heart. In other words, not emotionally," says Gail Cunningham, vice president of membership and public relations for the National Foundation for Credit Counseling.

Still, taking that advice is so important. Says McNeill: "We tend to make our worst financial decisions under stress." And that is why it's so crucial to keep calm in a money crisis. The last thing anyone needs is for today's rainy day to turn into a monsoon.

Dan White is the founder and president of Daniel A. White & Associates, a financial planning firm specializing in asset protection and transitional and retirement planning. One of the nation's leading experts in financial and retirement planning and host of "On The Money" radio show on WDEL Sundays at 7 a.m., Daniel A. White is a Chartered Financial Consultant and Chartered Life Underwriter. For more information, please call 1.888.690.8820 or visit www.danwhiteandassociates.com.
