

Financial Fitness in a Volatile Climate

Since the beginning of the coronavirus pandemic that began in early 2020, the economy has seen more than its fair share of ups and downs. Even as we approach the two-year anniversary, there's still financial unpredictability and a lot of us remain unsure of what to do with our money. With that in mind, let's review some basic strategies that can help safeguard your finances in any environment.

Regularly review your personal finances

When something unexpected happens and threatens to put your finances at risk, it's easy to quickly become stressed, anxious, and maybe even overwhelmed. One way to prevent or lessen such reactions is by regularly reviewing the current state of your finances and calculating your net worth. Knowing off-hand how much readily accessible cash you have (including savings and emergency funds), the amount of debt you're carrying, and the value of your investment accounts at any given time can help you feel more in control and less rattled by the unforeseen.

Make a budget and pay off debt

These may seem obvious, but they are two of the most crucial things you can do to protect yourself from a financial crisis, especially in an unstable economy. Even if you're already keeping a budget and working on lessening debt, review and reassess often to ensure you're cutting back where needed and accounting for slight changes to income, bills, and debt load. The more you stay on top of what's coming in and going out, the easier it will be to adjust priorities quickly and sensibly or reallocate funds as the need arises.

Establish or increase emergency funds

Protect yourself from a sudden financial crisis by setting aside a certain amount of money each month. According to most financial advisors, it's best to keep about six months' salary saved up and on hand so you're protected from incurring debt in the event that you become furloughed at work, have a medical emergency, or are faced with an expensive household or auto repair that isn't covered by insurance.

Supplement income with insurance

In addition to the familiar kinds of insurance that protect our homes, vehicles, and general health, consider purchasing other types of insurance to further protect or even replace your future income. For example, if your family relies on your income and you die unexpectedly, life insurance would ensure they could continue paying the mortgage and household bills, etc. If you become disabled and can't work, a long-term disability policy would help cover your living expenses. Long-term care insurance is also very important, as most services associated with a chronic medical condition and daily assistance are not covered by regular health insurance. Depending on your situation, you may also want pet or renter's insurance, as paying out of pocket for unplanned vet bills or property damage while renting can devastate an emergency fund.

Plan for now, what's next, and beyond

One of the best ways to keep your overall financial outlook in check is to establish various short- and long-term plans for the financial goals you want to achieve. Whether you want to buy a house, send your kid to college, or sail around the world during retirement, map out how you'll work toward reaching each financial goal, including timing, funding sources, investment options, tax considerations, etc. You can always revisit your plans and adjust as needed – the important thing is to have specific goals to work toward, no matter how unattainable they might seem or how many years away you are from accomplishing them.

For more information and guidance on safeguarding your personal finances, reach out to your Employee Assistance Program (EAP) and ask to speak with a financial expert. Free financial consultations are included as part of your EAP benefits, so call us today for help with your specific situation.

The EAP is a voluntary and confidential employee benefit available to eligible federal employees at no cost.

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