

Q: The current economy is scary – the news is full of how bad it is every day. It scares me and I'm not sure how I'll make it through this. What can I do?

A: There is a lot of scary news out there! You can't help but hear about the dire straits of our economy just by turning on the radio, looking at a newspaper, or going on-line. While the general economy is struggling, there are plenty of actions you can take to protect yourself.

1. Ask yourself "What specifically has changed about MY financial situation in the past 12 months?" When I ask that question lately, the answer eventually is, "Hmmm...not as much as I thought." Many people are making at least the same money that they were a year ago, and while groceries certainly cost more, other expenses have not changed dramatically. Sometimes when I ask that question, people will bring up the loss in their retirement funds; unless you will be accessing those funds in the short term, a well-managed portfolio will weather this storm just like a well-built boat. The general economy will rise and fall (see my previous article about the ebb and flow of money in the Applaud, Fall, 2008 issue or at http://www.applaudonline.com/pdfs/fall08/page45_63.pdf); when there is a general financial storm, ride it out rather than jumping ship.
2. Turn the news off. While it is important to stay current, it is not helpful to dwell on it, especially if there is little that you can do about it. I could listen and track the economy daily, or I could check in once a week or two and get a general picture. Guess which one feels better.
3. I've said it before, and I'll say it again: know where you are financially right now. Assumptions are dangerous in just about any situation (think relationships!) and money is certainly included. Use Quicken, MS Money, or a spreadsheet but know where your money is currently going. Keep a money journal for 2 weeks and record everything you spend money on – coffee, bottled water, the football lottery at work. If this brings up fear, explore it – stay with the fear and poke some holes in it. Are your fears founded in fact or beliefs?
4. Once you have data about your current situation, review and see what you can change. If your first reaction is, "Nothing!" then here are three alternative ways to ask the question:
 - a. Get a fresh perspective. Think of a friend or advisor with whom you trust sharing financial information. Ask your friend to review your data and make suggestions as to what changes you can make (and you can do the same for your friend). Then make the changes.
 - b. When asked to save 5% or 10%, we are already thinking small and often can't think of any changes. Instead, imagine that you need to cut 50% of your spending; what would you change? Chances are, you will have many more ideas! Make one of these changes.

- c. If you are still struggling to find changes you are willing to make, ask yourself, “What changes will I try for 6 months?” For example, if the idea of going without your afternoon soda or latte is too hard, tell yourself that you only have to make the change for 6 months. You may even find additional unexpected benefits in other areas of your life from these changes.
5. Brainstorm with friends (including virtual friends) to see how they are cutting expenses or increasing income. Sell unused goods. Share services. Stretch out your shopping. Data proves that if you buy groceries every two weeks instead of weekly, for example, you will spend less over time by avoiding impulse purchases. This is especially true when it comes to department stores! Take action and find more cost saving tips on line.

Turn off the news, crank up the music, play a game, and go for a walk; you’ll lift your spirits and not one costs a penny.