Staying strong in financially difficult times

It has been a difficult year. We’ve had major ups and downs in the financial markets. For many of us, our retirement accounts have taken a beating.

Though inflation is fairly low, it seems every time we go to the store, the prices of goods have gone up. Everyone is wondering what can be done to protect their money and to cope with the rising prices.

I talked to one of my children the first day of the downturn and he was ready to pull his retirement accounts out of the stock market. His accounts dropped by about a third in a day. I talked him out of his momentary panic and got him to leave the money alone. Thinking about methods of helping him, I’ve developed a list of four financial steps we can take to stay strong in difficult financial times.

Ditch the debt. Times may be hard, but if you don’t owe anyone, you can live more cheaply. Think about paying off your credit cards first, then your installment notes and, finally, your student loans and mortgage.

Use the snowball method to reduce your debt. Write down what you owe on each account and the annual percentage rate the card charges. Go through your budget and see how much extra you can find to help pay off your cards — say it is $100. Pay the minimum amount on each card, except the one with the highest interest rate. On the account with the highest interest, add the $100 to the minimum payment. Continue to pay extra until the account is paid off. When you pay it off, pat yourself on the back and move the amount you were paying for this account to the one with the next highest rate. Keep going until all your accounts are paid off.

Set up an emergency fund. One reason people resort to credit cards is when they don’t have a source of money when an emergency occurs. The average emergency that occurs in households is about $2,500. This is the cost of a home repair, a car
repair or even a medical bill. Make sure that you have at least $2,500 in a savings account where it can be readily accessed.

Cut out or cut down some expenses. Take a close look at what you are spending now. Many of us have no idea where our money is going. Take stock. Go through your last bank statement, your credit card account and think about where you are spending your cash. Sometimes surprises appear when you take this close look.

I worked with one person on a budget last month and we found that she had spent $67 during the last month at the corner coffee shack. If you aren’t willing to completely forgo your morning coffee fix, look at reducing it. Maybe you can cut down by reducing your visits to every other day. This would put $34 back in your account and you wouldn’t have to feel you are living an austere life.

Stay the course. Don’t panic. Though the numbers look bad, don’t pull your money out of the stock market. Think about when you are going to retire. If it is going to be a few years till your retirement, continue to pay into your accounts and leave your money there. Historically, those who pull out of the market never regain their money. This is the time that I just quit opening the reports on my accounts, but I also keep paying into my retirement. I’m in for the long haul and want the money in a few years, not tomorrow.

Times are tough, but take time to examine where you are and make steps to solidify your financial footing. Remember there were more millionaires created during the Great Depression than in any other time period in our history.

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