

Building Financial Strength in Lean Times

While some politicians hesitate to call this a recession, clearly sales and income are down for many businesses. Smart businesses respond to lean times by implementing well-planned cost cutting measures. That's a great strategy for our personal finances as well. Taking action can reduce financial stress and help us survive lean times.

Build personal financial strength

Good businesses take steps to preserve their cash flow. For most individuals, our cash flow comes from working. How secure is your cash flow? Don't be complacent or assume you have job security. To use a football analogy, think of yourself as a free agent trying to make a professional football team. You need to constantly perform up to the coach's expectations to make the team and stay on the team.

Work hard every day to prove yourself and to secure your income stream. Demonstrate your loyalty and value. Build your knowledge and skills.

Reduce expenses

Smart businesses look for ways to reduce expenses. You should too. Start with flexible expenses like spending less on eating out, entertainment, cable TV, cell phones, vacations, and weekend trips. Look for deals on eating out and try less expensive places. Cut back on your driving. Spend less on groceries. Review your insurance coverage. Think twice before you spend significant amounts of money. Systematically reduce your expenses.

Plan your spending

Good businesses follow a well planned budget. For personal financial success, plan to consistently spend less than what you make. A good budget will help you make the most of your money and help you consistently save some money.

A good plan helps you anticipate expenses and make financial progress. If you have some unexpected expenses or make some financial mistakes, take steps to get back on track. FISC can help you develop a good budget.

Reduce debt

When cash flow is tight, some people borrow money by refinancing their home or using credit cards. Borrowing offers a short term cash infusion, but also means more payments need to be made and there is an additional strain on cash flow. Rather than borrowing more, proactively reduce expenses and reduce debt. Pay off your high interest credit card balances using your cash flow.

Increase savings

Try to save money for future expenses such as car repairs, Christmas, birthdays, car insurance and other bills. If you have significant medical co pays or deductibles, try to save money for these expenses. Conserve your current savings.

Unexpected expenses can be a significant challenge. Build up an emergency fund equal to three to six months of living expenses. Yes, this is a significant amount of money. It takes time and effort to build an emergency fund. But, you will be in a much stronger financial position if you have a solid emergency fund.

Take charge of your financial situation

Change is constant and there are no guarantees in life. Focus on what you can control, do what you can to increase your financial strength, and you'll be more likely to survive and thrive through lean times.

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