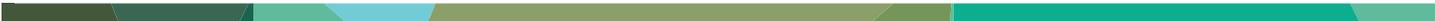


PREPARING FOR A FINANCIAL SETBACK





Living on less is never easy, but with a little planning and a positive attitude, you should be able to weather most financial storms. So, take a deep breath, relax, and review the following tips that you can help make any setback smooth and (almost) painless.



Pragmatic Planning

- Now is the time to take stock of what you can do to avoid being hit with a financial shock later. Avoid the urge to procrastinate – Mark on your calendar the date that you will have to live on less.
- Anticipating a tax refund? If so, beat the rush and file your taxes as soon as possible so you don't have to wait for much needed cash.
- Put money aside in a special “piggy bank” or savings account for the occasion.
- Start thinking about generating money by selling an asset. This can include anything from having a garage sale to selling stock (just beware of capital gains taxes for next year).

Budgeting Basics

- Financial planning begins and ends with a realistic budget. If you haven't reviewed your goals, assets, income, expenses, and debt in a while (or ever) now is the time to do it. Sit down and do the numbers crunch. It is worth the effort.
- Once you have an accurate idea of where your money is going each month, take a good, hard look at it. Are there areas you can reduce or eliminate? Just how important is the \$4 morning muffin and coffee? Five times per week will run you \$80 a month. This is your opportunity to analyze when and how you spend your money – and make positive decisions about what you may want to change.
- Track your expenses. It's a great habit to get into, and you may be able to prevent “money leakage” – the fast cash \$40 that seems to evaporate before you leave the ATM. By plugging the holes now, you can save more efficiently for the times when you will really need it.

Savvy Saving

- Emergency savings are for times like this. If you have saved some money, pat yourself on the back – you deserve it. Take out only what you need and spend prudently.
- If you do not have a savings account to fall back on, don't despair. However, this is a good example of a situation where an emergency savings would be helpful, and may be the perfect motivation to start one. Ask your employer to have money deducted from your paycheck and deposited into a savings account. Three to six months of accessible expenses in a liquid account is standard.

Smart Shopping

- Consider every purchase – Do you need it? Do you need it now? Can you get it for less somewhere else? Asking yourself these questions will help you become a savvy shopper in both flush and tough times.
- Buy in bulk – but only if you can afford it. It doesn't make sense to buy a 50 pound bag of cat food, even if it is a great deal, if you really only have enough for a box that will last the week.
- If there is a farmers market in your area, you can take advantage of the freshest product for "dirt" cheap prices.
- Use coupons to save on food costs. But beware – you may be lured into buying something you would never otherwise purchase simply because it seems like such a bargain. Do you really need four packs of triple A batteries, or orange-confetti cake frosting?
- Cut entertainment costs by renting videos rather than going to the movies. Or take advantage of the movies available on the cable or satellite you already pay for.
- Eat at home rather than going to restaurants – even fast food is often more expensive than a home cooked meal. If you do go out, try eating at cheaper restaurants or take food out rather than eating in the restaurant to save on tips and drinks.
- Save on supplies – use sponges rather than paper towels, a multi-purpose cleaner instead of several specialized ones, and recycle newspapers, bottles and cans. You will help save the earth while saving money!



Credit Control

- If you find you can't pay your bills, contact your creditors and explain your predicament – you may be able to avoid a late payment fee, particularly if your payment history has been consistent. A phone call is good, but a letter is better, as you will have tangible evidence of your efforts. Keep copies of all correspondence and maintain a log of telephone communications, complete with a representative's name and time of call.
- If you have credit card debt, pull out your most recent statements and check your present annual percentage rates. Are they higher than you remembered? Or simply too high for you to be comfortable with? If so, it may be time to make some changes:
 - Give your current creditors a chance. If you have been a good customer, remind them of it, and ask for an interest rate reduction. A five-minute phone call can make for huge savings.
 - Consider transferring your balances to low interest cards or those with extremely low "teaser" rates. Be sure to evaluate the transfer offers carefully though – How long does the offer last? Is the APR 5.9% or 5.9% plus the prime rate of interest? How long is the grace period – you may not want to go from a 30 day grace to a 20 day grace. What is the punitive interest rate for late payments? They can be as high as 36% – quite a jump from the original offer.
- Credit card debt is expensive. And frustrating. If you feel you have been treading water or watching the balance grow rather than plunge, go back to your budget and consider making changes. A \$2,000 balance with a 19% interest rate will take 30 years to repay if you just make the minimum payment – and that's if you never make another purchase on it!
- Debt consolidation may be an option. A Debt Management Plan is designed to help consumers repay their debt in three to five years by offering interest rate reductions (depending on the creditor), one monthly payment, and a commitment from you to not get into further debt.

Finally, remember that planning ahead is key to being prepared for tomorrow.



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