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Make a Plan for Riding the Storm Out – From Nancy Curtin, CLTC

Given the current economic situation, many of us are thinking: *How do I get through this recession, at a time when the Dow and the S&P 500 are at their lowest since 1997?* It's a great time to: 1) reassess your overall financial life; and 2) make a plan to correct prior mistakes so that your future can be different, and better.

If you have fallen into the "ostrich syndrome", today is the day to take your head out of the sand and face fiscal reality. And now more than ever, knowledge is power. Get brutally honest about your spending habits, your debt load and what it is comprised of, and your saving habits. Many people I speak with have *some* idea of the numbers involved in their finances but I am suggesting getting it onto a computerized program such as Quicken to bring reality home and get a baseline reading of your fiscal temperature. **Once you know the truth you can begin to make necessary changes.**

The biggest mistake all of us have made at some point is not saving enough money. You need cash not only for an emergency fund of 8 months of living expenses, but also because it is wise to have a good "cash stash" in addition to the emergency fund. My mother always told me "pay yourself first", yet how many of us are diligent with savings? Pre-tax savings vehicles such as a 401K, IRA or SEP are good tools for your retirement plan, but what about cash savings? Without extra cash it's tough to survive lean times. Build yourself a cash cushion and lean times will not be as difficult.

It's a human trait that the more money we make, the more we spend. The U.S. Commerce Department has estimated that since April 2005 Americans have been spending more than we make. Part of the problem is the illusion of available credit that plastic provides. Convert to a cash lifestyle. This means that when you use a credit card, pay it off in 30 days. Simply put, if you cannot pay, you cannot afford the purchase.

According to *PEW Research Center*, food/dining, entertainment, and shopping are the three biggest "splurge" areas. You must be creative in these areas in order to save money, especially if you live in an expensive city. Many people polled said they tended to spend when they were tired or just too busy to cook, or they wanted a night out or a new "toy". Good discipline translates to cash cushion.

One you have pinpointed your "savings drainer" or weak spot, you can address it. When I did an assessment of my own spending, I found that I spent the most on high-quality and high-cost groceries. I love to cook and eat well, and now I make an effort when shopping to continue to buy quality items but to not overbuy. I have cut my grocery bill by 15% since last year just by being aware!

Don't shortchange yourself by not having basic health insurance. 34% of Americans surveyed on unexpected costs said medical expenses ate up their savings and put them into debt. This includes long-term care costs. Having a long-term care plan is essential in helping to protect all of your assets.

Pay your insurance premiums and don't let policies lapse! If you are having problems, talk to your Advisor to see what might be done to reduce benefits. Something is better than nothing when it comes to insurance.

For a "forced savings" vehicle, a whole life insurance policy is outstanding, especially if it pays dividends in addition to interest. You have cash accumulation with a guaranteed rate of return as well as a death benefit and other living benefits.

Remember it does not matter where or how you started, you can finish well with a workable plan in place.

"A penny saved is a penny earned."

Ben Franklin

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