

Money Matters

Preparing for a tough economy



A brief conversation with RVOS' Investment Manager, Hugh Shine, Managing Director of Investments for Wachovia Securities in Temple, Texas.

Experts are debating how long the current economic down-turn will last – and how severe it could get, but there are a few common-sense financial steps you can take to help you navigate through this economy as well as other twists and turns that might happen in your economic future. Hugh Shine, Managing Director of Investments for Wachovia Securities in Temple, offers the following strategies.

Have a contingency fund set aside for emergencies. These should be liquid funds that you can access quickly if needed. If you're in a one-wage-earner household, it's recommended that you have six months of living expenses available. A two-wage-earner household can probably get by with 3-4 months, Shine says. This kind of money is what would kick in if you (or your spouse) unexpectedly lost a job.

Pay off credit cards. If you are carrying credit card debt, which Shine advises against, be diligent about paying it down. Ideally, you should have no credit card debt, and instead stash 10-15% of your income each month in a retirement fund. The debt on credit cards offers absolutely no financial return. Pick the highest interest card and pay that off first, until you've cleared away all of them.

Don't spend anticipated money. That economic stimulus check you're getting? That bonus the boss promised? Don't spend it yet. Don't spend it until you actually have it in your hand, and then be prudent. Sure blow a little – everyone's entitled to a little fun, but don't spend it all. Use some of it to pay off debt, and put a little away in your contingency fund.

Just doing these three things will help you steer clear of any financial curves that may lie ahead in these uncertain times.

