

Canaan Monthly Word on Finance

How to Thrive in a Weak Economy

Don't panic

- ❖ You have probably seen your investments lose some money in the past few months...
- ❖ **Investing, like most things in life, has its ups and downs, but what's important is to keep a long term focus.**
- ❖ Unless you have an immediate need for money (today, tomorrow, in the next year), don't cash out 401Ks or other investments.
- ❖ **DO NOT CASH OUT 401K's**, you will pay a 10% early withdrawal penalty, plus a tax penalty. However, if you are going to lose sleep at night over investments, consider moving investments from stocks/mutual funds into cash.
- ❖ How many of you like to shop, or like a good sale? Think of the stock market and most investments as being on sale right now. **Remember the fundamental rule of investing, buy low, sell high!!**

Diversify your investments

- ❖ Don't put all your eggs in one basket. **Spread your money across different investments.** Have money in mutual funds that cover large companies, small companies, international companies, bonds and maybe even some cash.
- ❖ **This is something that should be done in a good and bad economy.** Not all areas of the economy are down, so try to own investments that cover a broad range of companies. Best way to do this is through **mutual funds**.

Don't let your home become a trap

- ❖ Countless stories of homeowner's payments, doubling and sometimes tripling as a result of **adjustable rate mortgages (ARM's)**.
- ❖ Be aware of adjustable rate mortgages, if you have one it's best to look into refinancing into a **fixed rate** loan. .

- ❖ Also resist the urge to tap into any home equity, property values are dropping and you can end up owing more than the property is worth.

Update your resume

- ❖ Even though **we are not in a recession**, some companies are cutting back (Citigroup and others have announced layoffs, there were approx. **80,000 jobs lost in March**)
- ❖ Ask for additional assignments, or volunteer for long term projects at work. Companies are less likely to let most productive people go.
- ❖ Network with others inside and outside of your company.....**sometimes “who you know can be the difference”**

Reduce Debt, Boost Savings

- ❖ Always good to do at any time.
- ❖ You need an emergency fund (3-6 months of expenses, min \$1000 to start)
- ❖ Stop using credit cards and payoff any debt you have using snowball approach