

Financial Preparedness

These are such unpredictable times and we as individuals need to prepare financially as best as we can. The number one priority is to preserve cash, because we don't know how long this situation will last. In a nutshell, preserving cash is about (1) spending smart and (2) when possible, gaining access to more cash.

Everyone's financial situation is different, so there isn't a one-size-fits-all answer on how to best manage things. Everyone will make their own decisions, but here are some important things to consider.

Spending smart:

- Your first priority is having enough cash to pay for food & health-related items. How much does your family need each week or each month?
- Beyond that... make a list of all of your expenses. If you have a budget, that's a great place to start. How much is every expense you have and when is it due?
- Prioritize these expenses, from most to least important.
- Spend in a very conservative manner and spend on essential items only. Look at what is really a "need" versus a "want". Don't buy things now that can wait for later. Think about expenses you can reduce or eliminate if necessary. You may have to make decisions on what to pay or not pay.

Gain access to more cash:

- First of all... how much cash do I have now?
- How much additional cash do I expect from salaries or other compensation?
- How much additional cash or credit can I access right now if needed:
 - Savings
 - Credit cards – what is my current balance versus the card limit?
 - What is my availability under any existing line of credit or home equity loan?
- Other opportunities to increase and/or conserve cash:
 - Make only the minimum monthly payment on your credit cards
 - Consider charging all expenses to your credit card, up to the limit. We hope this won't happen, but credit card companies could shrink the credit card limits of their customers.
 - Request an increase in your credit card limits.
 - Review other opportunities that your credit card company may offer, such as cash advances. Make sure you fully understand the interest rate and repayment terms before making any such decision.
 - Apply for an additional credit card, but again... make sure you fully understand the interest rate and repayment terms before making any such decisions.
 - Apply for a line of credit, home equity loan or an increase in an existing loan. But I can't say this enough... make sure you fully understand the interest rate and repayment terms before making any such decisions. Don't enter into any loans that will haunt you later.
 - Get a loan from your 401(k)

What if you don't have enough to pay all of your bills?

- Look at your list of expenses and your priorities. What is most important?
- Cut all discretionary expenses... those that are not absolutely necessary.
- What are your remaining obligations that are “contractual” in nature... i.e. things that feel like they could create issues if not paid? What are the biggest \$\$ items here?
- Start with your mortgage or rent, which is probably your largest expense. Call them, explain the situation and ask if you can defer a month and move the payment to the end of the lease/mortgage... or at least delay the payment for a period of time. It's likely that lenders and landlords will be getting many requests like this. Have a plan for repayment in mind when you call.
- Handle car payments or other large payments in a similar manner.
- Defer payments of anything where an agreement is reached and ask them to communicate this to you in writing. If they don't, send them a recap with your understanding of the new agreement.
- If you have to defer any payment for any reason, communicate that to the person or business in advance... whether they agree or not.

Tools to help:

- Personal Capital is a free app that can be used on your phone or computer. You get \$20 using the link below if you input an eligible investment account (401k, investment acct, etc.)

<https://share.personalcapital.com/x/oP1Cv7>

- Back-of-the-Napkin for personal use (see separate attachment)