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OVERCOMING FINANCIAL STRESS

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5 TECHNIQUES TO OVERCOME FINANCIAL STRESS

If you and your family have been financially hit during the COVID-19 pandemic, there are a few things you can do to help you handle and overcome your financial stress.

TIP #1: MAKE A TO-DO LIST

Sometimes the most effective techniques are the simplest. When it comes to overcoming your financial stress, start by putting your to-do list in writing. Creating a clear list of what's ahead can help it feel more tangible and doable.

If you can, start with the easiest tasks and slowly work through your list, checking things off one by one. With a to-do list in front of you, there's no need to bear the burden of remembering everything in your head. Starting with a list of tasks can help you more effectively build a plan of action.

TIP #2: TRY TALKING TO SOMEONE

While working with a financial advisor is recommended, it can still help to open up to a family member or friend in the meantime. Keeping everything bottled up and to yourself is only going to escalate your anxiety. If you're able to, talk it out with someone you trust and be honest. Discussing your problems can ease the burden significantly. Your friend or family member may even have some advice to offer or a financial advisor to recommend.

TIP #3: REVIEW YOUR SPENDING HABITS

Ignoring the situation may be tempting, but putting your financial obligations off will only make them worse. While some financial issues are more complicated than others, taking stock of your current situation can help build a better understanding of where you are today and what needs to happen. This often starts with adjusting your spending and saving habits.

When it comes to addressing your current spending habits, there are a few things you can do right away:

- List out every income source you currently have
- Determine your debts (student loans, car payments, credit card debt, etc.)
- Keep track of all your spending manually or using a phone app
- Identify potential spending patterns or triggers (when you're stressed, right after payday, etc.)
- Determine what changes you can make to your average spending to save more
- Avoid impulse spending

TIP #4: MAKE A PLAN AND CREATE A MONTHLY BUDGET

Creating and tracking a monthly budget is a great way to get in the habit of healthier spending - and healthier spending habits mean less financial stress.

To get started on creating your monthly budget, start by:

- Listing out recurring expenses such as gas, groceries, utilities, etc.
- Prioritize contributing to your emergency fund each month
- Set up automatic payments to avoid late fees or interest
- Determine where you may be able to cut down on spending (entertainment, clothes, etc.)

TIP #5: ESTABLISH A COLLEGE SAVINGS PLAN

If you have a young one at home, paying for college is likely looming over your head. To ease this large financial burden, take the time now to establish or check up on your 529 plan. This tax-advantaged savings plan is designed to encourage saving for future education costs (such as tuition, room and board, etc.). You and other family members can contribute to the account, which will gain interest over time as you set aside funds to pay for a child or grandchild's education.

Getting your finances in order is no easy feat. Identifying your main stressors and establishing a plan to address them can make a big difference in how you and your family feel about your finances. If you're feeling lost, confused or overwhelmed, don't forget to reach out to a trusted financial professional who can help make sense of your current financial situation.

TIPS FOR CREATING A BUDGET

Use these tips to create a realistic budget that will let you pay down your debts and give you the opportunity to put something away, while not forcing you to live like an ascetic to make it happen.

Gathering the facts. Before you do anything else, you need to know how much money is coming in and how much is going out each month.

For people who receive a regular paycheck, estimating the amount of money coming in is as simple as calculating your post-tax income. But for anyone whose income varies throughout the year, things can get much more complicated. A relatively safe way to budget with an irregular income is to use the lowest earning month from the previous year as a baseline for creating a budget. A less secure, but probably more realistic way to budget, would be dividing the last year's income by 12 and using that number as your monthly budgeting baseline.

Once you determine the amount of money which is coming in, you need to know what you are spending on a monthly basis. Average the total amount of the money you spent monthly over as many months as possible to create your average monthly expenses. Separate this average monthly expense into two categories: needs and wants. Needs are bills you have to pay, like housing, food, insurance, basic utilities, minimum loan repayments, and transportation. Everything else is a want.

Setting up the budget. Without a good plan, you won't make your financial goals.

There are lots of different ways to set up a budget, but the most important thing is that is that it works for your situation, and you can stick to it. One simple, yet effective budget, is the 50/20/30 plan. According to this budgeting method, half of a person's income should go towards needs, a fifth can go towards savings and additional loan repayments over the minimum, while the remaining 30 percent is for everything else.

Adjusting your spending habits. A budget only works if you are willing to change your spending habits.

For many people cutting down on spending is a painful experience. But there are ways to make it a little less uncomfortable.

- Control impulse purchasing. While you are still at home, make a list of items you will purchase and don't give in to temptations at the store. If you see something you really want in the store, write it down to buy on your next visit. It is amazing how many 'must-buy' items lose their attractiveness after a few days.
- Use a credit card, but pretend it is cash. The advice used to be that you should always use cash when you shop, but cashback and other incentives from credit cards makes using them a great deal. However, never spend more money than you have in your 'want' budget for the month. Consider asking your credit card company for a lower limit to dissuade you from making larger purchases.
- Avoid the 'little luxuries.' Small expenses can really add up. Make your morning coffee at home and start bringing your lunch to work, and it won't be long before you notice substantially more money in your pocket without sacrificing a whole lot.

Remember that budgeting is an ongoing process. You will need to revisit your budget plan from time to time to make sure that you are staying on track.

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BUDGETING WORKSHEET

Step 1:
Add up monthly expenses

Start by deciding what items are essential to your life in retirement. These monthly expenses are assumed to last throughout retirement. This worksheet is meant to be a guide. Some of these items may not be applicable to your situation. There may also be additional expenses not listed here.

Housing

Mortgage or Housing	$	Household improvement	$
Property Taxes and Insurance	$	Household maintenance	$

Personal

Clothing	$	Income taxes	$
Products and services	$	Charitable contributions	$
Dependent care	$	Subscriptions	$

Utilities

Gas/Electricity	$	Water	$
Trash	$	Phone/Mobile	$
Internet	$	Cable	$

Food

Groceries	$	Dining Out	$

Transportation

Vehicle purchases or payments	$	Auto insurance	$
Fuel and maintenance	$	Other transportation	$

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Insurance

Life	$	Long-term care	$

Healthcare

Insurance (including Medicare)	$	Medical bills and expenses	$
Prescriptions	$	Co-pays and deductibles	$
Other medical supplies	$	Dental and vision care	$

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Take an inventory of your debt obligations. While these may not last throughout retirement, it's wise to get a handle on what recurring debt may exist and what steps you may need (or want) to take to reduce or eliminate it.

Other Financial Obligations

Credit card debt	$	Student loans	$
Mortgage/home equity loans	$	Miscellaneous debt	$

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Identify the things you want to do in retirement. These may not be needs incurred throughout your entire retirement, and may vary from year-to-year. Start with an accurate accounting of your plans and revisit the amount from time-to-time in throughout your retirement.

Other Financial Obligations

Entertainment	$	Gifts	$
Travel	$	Hobbies/Memberships	$

Add up all of your monthly expenses.

Total Monthly Household Expenses	$ **0.00**

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Step 2:

Add up monthly income

With the hard math done, the second step is to e**valuate the guaranteed income you expect to receive in retirement.** This is constant, predictable income that will not vary in value from month to month or year to year.

Guaranteed Monthly Income

Social Security *	$	Pension	$
Annuities	$	**Total Guaranteed Income**	$ **0.00**

** Visit ssa.gov for an estimate*

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You may also have some non-guaranteed income. This might be income that fluctuates from year-to-year or month-to-month due to things like market returns. This income can be used to help you bridge a gap that may exist.

Variable Monthly Income

Rental property	$
Money from a retirement savings account such as an IRA or 401(k) plan	$
Lump sum amounts from pension plan (assume 4% annual distribution)	$
Part-time job	$
Other income	$
Total Variable Income	$ **0.00**

Subtract your total monthly expenses from your total monthly income.

Total Guaranteed and Variable Income	$ 0.00
Less Your Total Household Expenses	- $0.00
Balance	$ **0.00**