

## Economic Downturn – Get Defensive By Julie Cole, CFP, FLMI Annuity Product Manager

**R**ight now, we should all be playing defense to keep bad things from taking our lifestyle away. We need to concentrate on preserving what we have with minimum stress and anxiety. We need to be realistic in our lifestyle expectations and live within our means.

Whether the economy is good or bad, personal finance starts with the question, where does the money go? The average family spends money on dozens, maybe hundreds, of things, some large and some small. We know that the large things are important, but what about the small things that add up to be big expenses?

In the book, *Automatic Millionaire*, written by personal finance author, David Bach, he writes about the “latte factor.” There is nothing wrong with enjoying a latte, it’s one of life’s little pleasures, but it’s important to know what it really costs. Consider that you spend \$4 per day on a latte, that’s really \$120 per month. If you get a handle on your latte expenses – how much, how often, what they really cost – then you can rein in your costs while meeting your financial goals.

The first part of gaining financial control is to figure out where we are and what we do financially. Get out the magnifying glass and look at what goes into and out of our pockets. Carefully monitor all income and expenses. Once you get a handle on your cash flow you will likely be able to weather this downturn. Go to our website, [www.wflains.org](http://www.wflains.org) and click on financial planning, to download a cash flow worksheet to help you document your income and expenses.

Be smart about budgeting. Most budgets fail because someone in the family makes an unrealistic budget that everyone must live by. Smart budgeting is a process that is shared, has agreed-upon goals, and has everyone in the family involved. This way each family member believes they have some authority. Give each family member an agreed upon allowance within which they have total freedom to



spend. At the end of the month, reward behavior. Those who have followed their program get a reward, not something that will throw the family off budget, but something that is meaningful.

If the budgeting process results in a picture that shows you are living beyond your means, then “right sizing” is in your best interest. Americans enjoy one of the highest standards of living in the world. Living smart, efficiently and below our means is always better living than living ahead of ourselves. If we start living smaller and more efficiently now, we have more money in the short term and can be ready when the opportunity presents itself to move into the bigger house.

Getting defensive is about realistic expectations, new family agreements, new family harmony and new safeguards against getting caught in a financial trap. It’s also about being a good role model for your children and living without the stress that comes with living beyond your means.