MANAGING MONEY *in* TIMES OF UNCERTAINTY

How to Build Your Financial Resilience Plan

MID-HUDSON VALLEY FEDERAL CREDIT UNION

BUILDING FINANCIAL RESILIENCE

Sometimes, it feels like life pulls the rug from right under our feet. Despite our best planning, it's hard to avoid panicking when that happens – especially when it comes to our money. The single most important thing you can do, though, is to not panic. Easier said than done, right? Managing Money in Times of Uncertainty is going to help you build your Financial Resilience Plan, a roadmap for finding your way to the other side of a crisis.

Your Financial Resilience Plan is built on understanding your current financial situation. From there, the plan outlines the steps you need to take to help navigate the dos and don'ts of money right now, helping you define a manageable path until you regain financial security.

STEP BACK + REMAIN CALM

When your financial situation changes through job loss, reduced earnings, medical expenses, or a change in your relationship, it becomes incredibly easy to lose yourself in that feeling of helplessness. As humans, our natural tendency is to focus on what's immediately in front of us, and when that something is a financial crisis, we become consumed by the what-if scenarios.

The first thing to do is step back to help you re-center your thoughts. In order to successfully plan how you'll navigate this situation, your mind must be clear and focused. Try any of the following:

Go for a walk. Literally step away from the situation and walk around the block, a park, even your yard to get your head clear. Exercise naturally boosts your endorphins, putting your mind in an improved space.

Meditate. You don't have to be a guru to reap the benefits of meditation. Simply sitting quietly and letting your mind clear can help reduce the initial panic and prepare you for effective planning.

Listen to your favorite music. Give yourself 10 minutes to chill out to your favorite artists. Just like exercise and meditation, music can help soothe your mind and relieve the initial stress.

You're not avoiding the situation by stepping back; rather, you're giving yourself an opportunity to regain perspective and clarity.

Assess Your Situation + Get in Front of Potential Hardship

Before diving into how you'll handle the unexpected, you need to get a clear understanding of your current financial situation.

Start by pulling together all of the following:

Bills and Debts: what bills and debts do you pay, in what amount, how often, and to whom? Make note of each lender's or payee's contact information.

Savings and Retirement: how much do you have in savings right now? What about other accounts like CDs or a retirement plan?

Income Potential: are you still employed? Is there a risk that you won't be? What other options do you have for income?

Expenses: dig deep on this one. Where are you spending money? What is necessary and what is frivolous?

When faced with financial uncertainty, the most important things you can do are:

1. Take a step back and remain calm
2. Get out in front of any potential financial hardship
3. Rationally assess your current financial situation

Gather all of the information, and keep it in a folder or notebook so that you can reference it as you build out your Financial Resilience Plan. It's important to include everything as you assess your situation; now is not the time to hide the fact you buy coffee every day. In order for your Plan to work, it has to be built on a foundation of honesty and clarity.

Another important reason for assessing your financial situation is that it may help you identify potential hardships. You may realize, for example, that your mortgage, car payment, and insurance are all due in the same week. Take action now to avoid putting yourself in tougher spots: contact your lenders to talk about your situation and ask for potential solutions. It's natural to be nervous about contacting your lender, but keep in mind that it's in their best interest, too, to help keep you financially healthy.

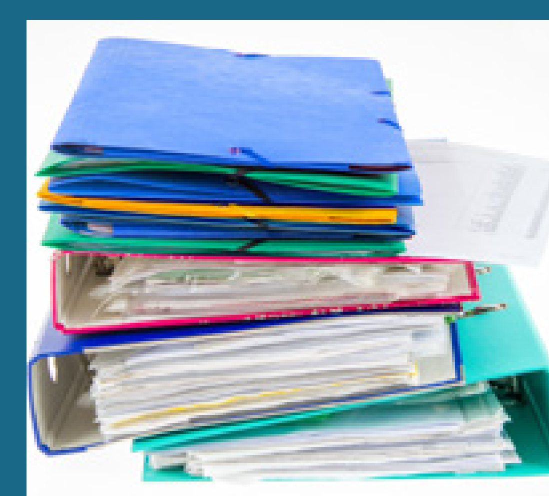
Manage Your Spending

Now is the time for a brutally honest assessment of wants vs. needs. While this is a basic financial concept, we often lose sight of exactly how much of our money

goes to unnecessary expenses. If you have a family, use this as an opportunity for family discussions and learning about hard financial decisions together. Demonstrating the choice between what you want and what you need helps children develop good financial habits.

Check out our Managing Spending Guide on the next page for the three easiest ways to curb your spending. And remember, the changes don't necessarily have to be forever. As your financial picture changes, you may be able to adjust your budget to fit some wants back into it...although you may discover you don't miss them all that much!

And if you're not currently tracking your spending, now is definitely the time to start. Check your bank or credit union app to see what money management tools are available and ready for you to use. These tools very often include easy budgeting and transaction tracking features.



What you need to know to fully assess your current financial situation:

____ Bills and Debts

____ Savings and Retirement

____ Income Potential

____ Expenses (what do you spend money on?)

YOUR GUIDE to MANAGING SPENDING

Step 1: Unsubscribe

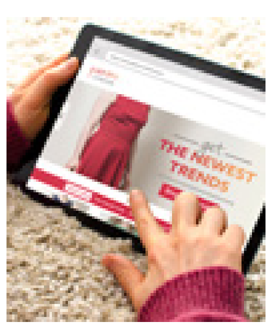
1. Go through your bank and credit card statements for the past 3 months
2. Highlight everything that is a subscription
   - ☐ Streaming movies/music
   - ☐ Premium channels
   - ☐ Cell phone plans
   - ☐ Data plans
   - ☐ Gym
   - ☐ Beauty boxes
   - ☐ Pet boxes
   - ☐ Clothing boxes
3. In a notebook or spreadsheet, write down how much you spend each month on each subscription
4. Tally up the total saved by canceling them all and make note of that amount

Step 2: Prioritize Bills

Use the information you gathered about your bills and debts when you did your financial assessment to answer these questions.

1. Can you afford to pay them all with your current budget? If so, great. You're still going to want to trim your spending so you can bolster your savings
2. Can you afford to pay them all after you cancel your subscriptions? If canceling your subscriptions gives you enough extra cash to cover your bills, do so immediately
3. For how long can you pay them? Have a plan ready for what to do when you no longer can. Contact your lenders, utility companies, etc. to get prepared
4. Which ones absolutely need to be paid? Identify those that are critical
5. Negotiate with others. Always reach out to your lenders or service providers to explain that you are not able to pay. They will be willing to work with you

Step 3: Get Creative



Instead of:		Try:
Ordering delivery	→	**New recipes**
Streaming movies	→	**Game night**
Shopping	→	**Hiking**

Family-fun ideas include charades, Facetime get togethers, puppet shows, obstacle courses, "shopping" in your pantry or cabinets for creative ingredients, and cleaning out closets for donation items

Keep Saving

One of the reasons you completed your financial assessment was to evaluate the health of your savings. If you already have an emergency savings, it's OK to tap into it. The whole point of having one is to help see you through tough times. It is not, however, permission to use it for whatever you want. If you're spending from your savings, keep it limited to essentials like groceries and bills.

You'll want to bolster your savings efforts, though, either to avoid depleting your savings account or to cover the gap that your savings may not cover. Options like transferring or consolidating debt, deferring student loans, and refinancing your loans are some ways to keep saving.

Transferring/Consolidating Debt

Carrying extra credit card debt always stings, but it will be especially hard if you're facing financial uncertainty. Transferring the balances to a zero or low-introductory-rate card may be tempting, but make sure you can:

1. Transfer your entire balance, and
2. Pay off the entire balance before the introductory rate expires.

If you're transferring a balance to escape a higher interest rate and save money, you may want to think about consolidating those credit card debts instead.

When you consolidate debt, you take out a Personal Loan and the funds you receive are used to pay off your credit cards. This can help you save money because Personal Loan rates are typically lower than credit card rates, meaning your monthly payment may be lower. Even if the monthly payment isn't lower, securing a better interest rate means that a larger portion of your monthly payment will go towards the balance, helping you pay down that debt faster. And lastly, debt consolidation means you'll be managing a single loan payment rather than several credit card payments. This will help you as you adjust your budget later in your Financial Resilience Plan.

Scan here or click the link below to learn more about debt consolidation.

www.bit.ly/3bqLniY

Defer Student Loans

Prioritizing your bills means you've identified some that, in your current situation, may feel like they can take a back seat. If you're paying student loans this may be an area where you can find some extra cash. It is important to contact your lender to discuss your situation; if you simply stop paying your student loans, your credit will take a major hit which in turn will impact your ability to apply for things like Debit Consolidation Loans.

Your student loan lender will be able to offer you various options to provide temporary relief. Done correctly through your lender, these solutions should not impact your credit score.

Refinance Existing Loans

If interest rates are favorable and your credit is good, talk to your financial institution about refinancing your car loan or mortgage. With a refinance, you may be able to:

- Lock in a better interest rate
- Lower the overall balance
- Lengthen the term to reduce payment amounts

If you're considering a refinance, do it while your credit is good. Throughout a financial hardship, there may be instances when your credit score takes a hit and you'll want to have your refi secured before that happens.

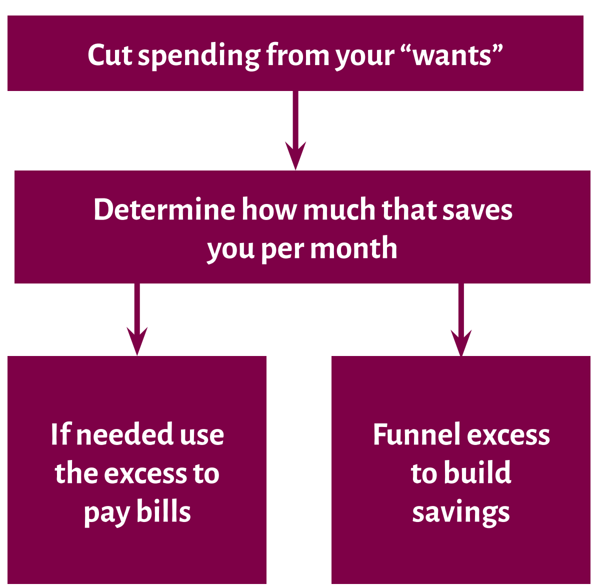
Debt consolidation allows you to pay off your credit cards and combine – or consolidate – all of the payments into a single monthly loan payment, often at a lower rate.

NO SAVINGS?

If you have no savings account, or a small one, and are still employed, the best thing to do is set up automatic transfers into your savings account.

With automatic transfers, you take the risk of forgetting to move money into your savings account – or eliminate the ability to justify why you can't. Remember the old adage "out of sight, out of mind"? Using your financial institution's online or mobile banking, you can easily set up a recurring transfer out of your checking account.

Consider that transfer as one of your most important bills. As you're adjusting your budget throughout your Financial Resilience Plan, keep that budget line item and adjust your spending to accommodate it. Establish your automatic transfers to coincide with your paycheck and remember that even just $10 to $20 a week can add up.



If you are currently unemployed, your priority is paying your necessary bills and maintaining cash flow. While you may not be able to build your savings right now, use the cash from the subscriptions and other unnecessary expenses you cut earlier to put towards your bills. If you find yourself with some left over, funnel that into your savings. When you find employment, make automatic transfers into your savings account one of the first things you do.

Adjust Your Budget

You've checked off some major to-dos in your Financial Resilience Plan and now it's time to adjust your budget – or build one, if you've never budgeted before. It seems tedious, but when you're facing financial uncertainties, it's critical that you are managing your money as effectively and efficiently as possible.

Now that you've assessed your financial situation, prioritized your bills, cut unnecessary expenses, and determined your ability to save you can configure your budget accordingly. Keep in mind that your expenses should be limited to the essentials: bills, groceries, prescriptions, etc. Your budget will allow you to determine what potential shortfalls you may experience or how you can direct any extra cash.

Ask for Help

One of the most important pieces of your Financial Resilience Plan is asking for help from your financial institution. The worst thing you can do when you are not able to pay your bills is to stay quiet; your lender wants to work with you to keep you financially healthy. Don't wait until you're behind on payments. Your financial institution works with people who are struggling every single day; there is nothing to be embarrassed, ashamed or scared about. Being financially resilient means knowing when you need help to make it through.

On the Other Side

Coming through a period of financial uncertainty or crisis, while undoubtedly bringing a sense of relief, invites a new question: what now?

Adjust your budget as needed. If you had deferred payments on any loans, update your budget to reflect those payments again.

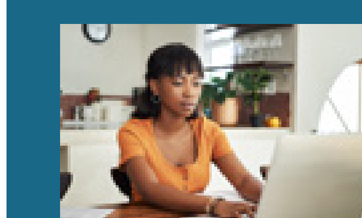
Keep saving; whether you were able to keep putting money into a savings account throughout your hardship or not, you absolutely should be doing so once you're back on solid financial ground. It's easy to forget how hard it was when money was tight; don't lose sight of that struggle and instead use it to motivate your continued savings.

Talk with a financial advisor. There's no telling when life will throw another one of its curveballs, and getting a plan in place now to weather the next storm will help you stay financially resilient.

3 Tips for Finding Extra Money

1. Ask for help from family or friends. No one likes reaching out to family or friends for help, but if it can help you avoid financial disaster, it may be a viable option. Ask for only what you need and make good on your repayment when you can.

2. Check your retirement plan. Some retirement plans allow for hardship withdrawals that permit you to access your retirement funds with penalties. Speak to your HR representative or financial advisor about your retirement plan specifics.



3. Work from home. To replace or bolster your income, start scouring job listings that allow you to work from home. Sites like Indeed.com or FlexJobs.com often have remote positions available. Working from home may allow you to maintain income while you search for a long-term opportunity. If you pursue this route to boost your income, be sure you use that increased cash flow wisely.

YOUR FINANCIAL RESILIENCE PLAN

1. Assess Your Current Financial Situation
- a. Bills and Debts
- b. Savings and Retirement
- c. Income Potential
- d. Expenses

2. Manage Your Spending
- a. Identify subscriptions and other expenses that can be cut
- b. Prioritize bills
- c. Get creative without spending

3. Keep Saving
- a. Automate your savings
- b. Funnel any extra cash into savings

4. Adjust Your Budget
- a. How much are you saving by cutting expenses
- b. Funnel that towards bills and essentials
- c. Funnel any remainder to savings

5. Ask for Help
- a. Identify potential hardships
- b. Contact lenders

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