

# Recession-Proof Your Financial Future

## *Don't Let Emotions Affect Investments, Experts Say*

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Stocks fall, oil prices spike, real estate sales grind to a halt -- and now layoffs are coming at some of the nation's biggest employers.

The media's chattering classes aren't sure whether we're in a recession or not, but between cable news channels and online media, it's hard to escape the speculation.

The best thing to do, according to Kubler Financial president and founder John Kubler, is to turn off the TV or shut off your monitor.

"We live in such an information age, where now you get a lot of immediate experts, so when stuff gets a little whacky -- emotions come into play," Kubler said. "That can be where you end up screwing up your financial future."

Steve Frantz, chief investment officer at Omaha's First National Bank, said that right now, he's doing some hand-holding for panicked clients.

"The sentiment is as negative as I've seen it. It's ugly out there," Frantz said.

Experts say that people in their 30s and 40s who won't retire for a while can build a financial safety kit. So take a deep breath and gain control of your financial future.

### **Start With Your Wallet**

According to financial experts, now may not be the time to use extra cash for shopping and restaurants.

"Best to just batten down hatches -- be more conservative in your spending and be critical of where money's coming in and where it's going out," Frantz said. "I think it's time to come back to reality. Spend a little less, cook dinner, spend time with the family -- this too shall pass."

Cash you save by tweaking your spending should first go to pay high-interest debt, such as credit cards. Anything left over should go in the bank.

Kubler tells his clients around the globe to build the financial house from the ground up. First, put away enough cash to cover six to 12 months of expenses if you lose your job. Don't worry what the money is making in interest, Kubler said, just make sure you can have access to it tomorrow if you need it, without penalty.

"When you can remain liquid, whether you're switching jobs or looking to make other short-term purchases, you don't have to worry about your 401(k)," Kubler said.

Cashing out a 401(k) in an emergency -- especially in a down market -- means you'll pay taxes and penalties *and* sell low.

If cash is the foundation, short-term, safe investments are the house, Kubler said. Once you've got a cash reserve socked away, think about certificates of deposit and short-term bonds to squirrel away money in a two- to three-year time frame.

"We may have been saving it for a boat, a wedding, a house -- if you keep your job and things go well, you keep the plan. If something goes bad, we can tap that second set of reserves," Kubler said.

Finally, boost long-term investments, including a 401(k). After all, Frantz said, putting nothing in your company's 401(k) is like rejecting free money.

"Even if you put the money in money-market funds and you put in 6 percent in and your employer puts in 3 percent, that's a 50 percent return. That's a no-brainer," Frantz said.

## **Buyers Rule Real Estate Market**

If you don't yet own a home or want to trade up, now may be the time to get an unbelievable bargain, depending on your city and neighborhood, according to Blanche Evans, the senior editor for Realty Times.

"This is the time to buy the house on the hill and leave behind the house on the railroad tracks," Evans said.

Evans calls it a buyer's trifecta: prices are lower than they have been in years, interest rates are low by historical terms and there's plenty of inventory. The rules apply for second homes or rental properties, too, and now is the time to take advantage.

But you have to be the right borrower, Frantz said.

"Banks right now aren't real hip on lending money. The credit standards are extraordinarily high right now. If you've got good credit and a big down payment, you can get phenomenal financing. If you don't, it's tough," Frantz said.

If you're selling, the trick is to make your property the most attractive one a prospective buyer will see, Evans said. "If you don't have to sell, then sit and wait for the market to pick up."

Homeowners with some equity may want to look for a fixed-rate mortgage now before interest rates go higher. Many adjustable-rate mortgages are readjusting, but locking in a rate now or rolling a second mortgage into the first, can save you money over the term of the loan.

But Kubler said he would only recommend a refinance for people who plan to be in the home for more than 5 years. Otherwise, you could lose money in the cost of refinancing.

Some financial gurus advise that now is a good time to apply for a home-equity line of credit if you need quick cash. Our experts said that's a last-ditch resort, in part, because it isn't yet clear whether the housing market has bottomed out and you could end up upside down in the loan -- owing more than your home is worth.

"That's the kind of thought processes that got us into this mess," Evans said. "Don't take money out of your house. Be nice to your boss, take continuing education classes and get better at your job (instead)."

## **Protect Your Job**

Evans' advice is seconded by New York headhunter Stephen Viscusi in the Feb. 4 edition of Newsweek Magazine. Viscusi said workers should stay busy, eat lunch at their desks, leave late and arrive early. That way, if layoffs do hit, it'll be tough for the boss to give you the boot.

Just in case, now is a good time to polish the resume and boost your networking activity. Across the country, more than 19 million professionals are networking via LinkedIn.com.

April Kelly, director of the Omaha center for LinkedIn.com, said that in addition to finding old friends and colleagues, you can research the local job market. Track who is getting promoted, who is taking classes and who is getting laid off.

Even if you're feeling confident about your current job situation, reaching out to colleagues can provide a safety net if the worst happens.

"The sooner you get up and make connections, the better off you're going to be (when layoffs come)," Kelly said. "Most of the great jobs aren't the ones necessarily posted."