

## Tips for Chaotic Money Times

by vcmorris - Thursday, April 02, 2009

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The recession is touching everyone. What can you do to make the best out of these troublesome financial times?

First and foremost - don't panic. It's true that many people have chosen to pull their money out of the market. But strategists like Greg McBride, senior analyst at Bankrate.com says - unless you absolutely need cash in the short term - meaning between *right now* and the next couple of years - remember that historically the market has recouped all of its losses.

Tip number two: Don't put all of your money in one place. It's never a good idea - even during the best of times. If you don't diversify your portfolio, you leave yourself open to owning too much of one kind of asset and too little of another kind.

Tip number three: I know this may sound contrary to what you feel like doing right now in the midst of the market's gyrations - but don't let the state of the economy drive your investing. Market declines offer many opportunities. So now is the time to look for strong companies whose shares are down. There are a lot of them. Buy them if you can. Add them to your long term portfolio. Money specialists say people in their 20s and 30s should have roughly 80-90% of their assets in stocks. People in their 60s - approaching retirement - may keep up to 50% of their assets in stocks.

Finally, Bankrate.com's McBride says: "Recessions are a time to build an emergency fund - a savings account that will cover three to six months of basic living expenses." Make this a goal. Even now when money is - for most people - extremely tight, starting a modest but dedicated emergency fund can be the silver lining in this and future financial storms.

The current economic crisis and its fallout's going to be with us for years. How each person prepares to take a more active role in managing their personal money needs is critical to our *collective* recovery. There must be a consistency of thought that every one of us will have - from cradle to grave meaning *lifelong* - a solid, basic money knowledge and the skills to manage it.

Spending less than you earn is the way to accumulate wealth. Education increases your earning potential. Saving during good times *and* bad is a huge accomplishment and should be your "look what I can do" goal. Talk about debt with your spouse and know where you both stand when it comes to being responsible for managing it. Set goals because they're key to your financial success and they're habit forming. Nothing like meeting one money goal successfully to make you want to set another one.

Here's to your health and wealth.

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