



# Top 10 Ways to Tackle Tough Times

Pundits tell us that recession is in the air, and times may be tough, but there are ways you can cope. Here are some financial tips that will help.

Story by S. Kay Bell

**W**HETHER YOU CALL IT AN economic slowdown, a recession or plain old tough times, the results are the same. Costs are going up and income is staying the same or, in some dire situations, disappearing.

So what's an Austin woman (or man) to do?

Plenty. The key to surviving an economic downturn is to put your finances in order. Here are 10 tips to help you make it through tough financial times.

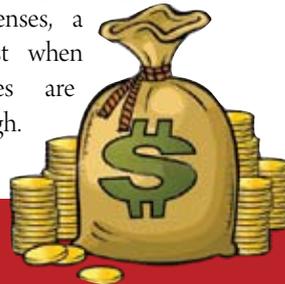
## 1 Budget

To many people, the word “budget” is just another way of saying, “You can’t have it.” But a budget is a proven way to get what you want, as long as you understand that financial choices must be made and you make those decisions wisely.

True, you will have to make some trade-offs. Some purchases will have to be postponed or even eliminated. But if you budget properly, in addition to meeting your daily financial needs,

you also should be able to eventually purchase many of the things you want, as well as attain long-term goals.

In its most basic form, a budget is an organized method to determine how much money you have coming in, how much money you have going out and how to reconcile the two. It also helps you prioritize expenses, a must when times are tough.



## 2 Pay Off Debt

Set up systematic payments to get rid of old debt, said Melinda Kump, vice president, investments, for the Austin office of Raymond James & Associates. Just as important, said Kump, don't incur new debt. The key here is honestly answering the question of whether you need an item or simply want it.

For example, today's gasoline prices are prompting many to consider buying a hybrid auto. Before shelling out that kind of money, make sure it is a sound purchase. Ask yourself, said Kump, “Is your old car still in good shape? Does it get decent mileage? Is the difference of a few gallons really enough to make the new car purchase worthwhile? And just how long is it going to take for fuel savings to offset a new or larger car payment?” “Put pen to paper and make sure it's the best financial move,” said Kump.

## 4 Ways to Handle Market Volatility

Watching stock market gyrations is never easy. But over the years, even with its periodic drops, equities have proven to be a good long-term investment. While there's no foolproof way to handle the market's ups and downs, Melody Kump, IIMC, vice president, investments for the Austin office of Raymond James and Associates offers four common sense ways to cope:

**1 Don't put all your eggs in one basket.** Diversifying your portfolio is a key way to handle market volatility. Because different sectors perform well under different market conditions, spreading your holdings across different types of assets such as stocks, bonds and cash equivalents (e.g., money market funds, CDs) can help prevent your holdings from taking a simultaneous hit.

**2 Focus on the forest, not the trees.** Don't pay inordinate attention to the day-to-day moves of the stock market. Instead, focus on your long-term investing goals and overall portfolio.

**3 Look before you leap.** When the market goes down, avoid temptation to leave it altogether for other, less volatile investments. The problem here is that such investments usually produce smaller returns. So before you make a change, make sure you're doing so because it fits your financial plan's goals, and not just out of fear. Remember, too, that stocks have historically outperformed stable investments over time. So if your investments are for long-term goals, your portfolio should weather periodic downturns just fine.

**4 Find the silver lining.** Watching the value of your stocks go down is never fun. But you might be able to pick up some similarly undervalued assets during a down cycle. Whether you're buying new stocks or additional shares of assets you already own, purchasing them at a lower price means you get more shares for your investment dollar. And when the asset rebounds, your gain will be greater.

## 3 Use Credit Cards Wisely

You'll be better able to pay off your existing debt if you take charge of your charge cards. “I know how tempting it is to use plastic to cover the gap between what you earn and rising costs, but try hard not to. You'll only dig your hole deeper,” said >>



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Daniel P. Ray, who keeps track of credit card issues as editor-in-chief of Austin-based CreditCards.com.

The credit landscape has changed dramatically in the last six months, noted Ray. "Because the mortgage crisis has spilled over to banks in general, card issuers are pulling in their horns, too," he said. "They may whack you with a lowered credit limit or increased interest rates for reasons that have nothing to do with you, and everything to do with their bottom lines. So be aware and watch your monthly statements closely."

Ray also recommends checking your cards' fees, rates and terms. "These days, you can and should comparison shop for a credit card the same way you would for any bargain," Ray said. "There are still low interest cards and 0% balance transfer card deals still around, though they're tougher to find."

#### 4 Establish an Emergency Fund

A liquid savings account is imperative for those situations that always seem to happen at the worst time. A rainy day fund can help you get your car fixed or take care of leaking bathroom pipes without going deeper into the debt you're finally paying off.

Most financial advisers suggest an emergency fund equal to between three and six months of expenses. Don't let that amount of money scare you. The important thing is to start putting away any amount. Tough times make having such a cushion even more critical. If you don't, you'll probably turn to credit cards to cover unexpected costs, putting you back, or deeper, in debt.

#### 5 Save for Longer-Term Goals

In addition to short-term savings, stash cash for longer-term goals, such

as retirement via an IRA or 401(k). Kump suggests savings of at least 10% of your income.

Don't delay. If you do, you'll cheat yourself. People often overlook the time value of money, said Kump. But the power of compounding is dramatic. For example, \$10,000 earning an 8% rate of return becomes \$46,610 in 20 years; after 30 years, it's more than \$100,000.

#### 6 Create a Plan – and Review It

This is different from, and in addition to, your budget. A budget helps you match revenues against planned expenditures to meet your basic needs. Strategic financial planning helps you build assets for the longer term.

"It's a living document. It changes as your life changes," said Kump. "Kids grow up, parents age. It should change according to your risk tolerance as your life changes." Neglecting such reevaluation and portfolio rebalancing during an economic downturn could be costly. Without it, you could end up hanging onto some assets that are taking a hit.

#### 7 Look for Opportunities

While it's tempting to flee a volatile stock market, don't panic. If your investments fit your financial plan, you're usually better off toughing it out. If you sell, you could take a major loss. And when the market comes back, it tends to do so quickly, meaning you could miss out as an investment's value goes back up. "You do get awesome opportunities during [a downturn]," said Kump. "You want to be in the position to take advantage, because that's when you're able to profit the most."

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sharing her story will help us appreciate what it takes to dedicate your life to music in this town. I hope that our support as fans and as a city will demand generosity and a living wage for those who bring so much revenue and cachet to Austin. Keep going, keep writing, keep working for all the causes you believe in, for that is what truly makes Austin "The Live Music Capital of the World." ★

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## 10 Do Your Job

Businesses are facing tougher times, too, and that often means layoffs. If the dismissals are across-the-board, there's not much you can do. But if your company is looking to make spot reductions, make sure your job is not one of them. Show up, and on time, every day. Take on extra tasks and complete all projects on time.

It is also a good idea to update your résumé. And take advantage of Austin's multitude of networking groups. You'll build relationships that could help you both in your current job, as well as a future one. ★

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## 8 Shop Smarter

Bargain hunting is a particularly valuable skill when you need to stretch every dollar. Austin area shoppers have two handy outlet malls, in Round Rock north of town and at San Marcos to the south, that offer enough choices and savings to make a trip worthwhile even with today's gas prices.

Buy used when it makes sense. Austin has many thrift stores and consignment shops where you can find not only apparel, but also household goods. And look for the best buys in your daily necessities, such as groceries. Check out the weekly sales inserts, clip or download coupons and make a list to help reduce impulse purchases.

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software company) did all the design work and promotional materials and she and I (Payne works for a commercial insurance company) came in to do the bottling and labeling." Mother and daughter look at each other and laugh, and one can just imagine Lucy and Ethel in the infamous chocolate factory scene. Luckily, their experience was filled with fun minus the disaster.

Both women sang praises for Daniel's marketing skills. Payne is a proud mother-in-law. "Daniel began calling on restaurants, bars and riding along with the sales reps from our distributor and his hard work has paid off." She added, "We had a commitment all along for our rum to be an all-Texas product using premium Texas ingredients. We make all of our rum by hand, from scratch.

## 9 Adjust Your Withholding

Are you having too much taken out of your check in payroll

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