

ASK CARRIE APRIL 08, 2020

Today's New Financial Reality: How to Get Through the Tough Times



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Key Points

- Today's new financial reality isn't just about markets and investors; it affects everyday decisions about how we spend, how we save, and how we protect our families and ourselves.
- Rethinking your budget and adjusting spending are essential whether your income is stable or you now need to live on less.
- Make a game plan for the present, but try to keep an eye on the future.

Dear Readers,

Today we often hear the phrase, "extraordinary times call for extraordinary measures." And while it's usually used to refer to large scale problems and solutions, I think it can apply much closer to home as more and more people are faced with a fast-changing financial reality. It's not just about the markets and investors. This new reality affects everyday decisions in how we spend, how we save, and how we protect ourselves and our families.

To cope with this new reality, we have to think in new ways, reprioritize and get creative so that we make the most of the resources we have and potentially figure out how to make do with less.

But when it comes to money, being creative doesn't mean the old ways of managing are thrown out the window. On the contrary. To me, it means looking at tried and true methods and applying them creatively to your own situation, starting now. Because like so much in this precarious world we currently live in, getting a jump on the situation will help you better survive both in the short and the long term.

Whether you're trying to conserve your finances, need to adapt to a loss of income, or need some extra financial help, you have options.

If your income is stable, rethink your budget to maximize your resources


Don't think of budgeting as "doing without;" think of it as doing your best. With restaurants, gyms and movie theaters closing in many parts of the country—at least for a while, you've probably been spending less. So if your income is stable, this is an opportunity to rethink your needs and wants, reprioritize your expenses, and plan better for the future.

If the current situation doesn't bring home the importance of being prepared for the unexpected, nothing will. If you've had trouble saving in the past, this could be an opportunity in disguise. Put what you don't spend on today's extras toward the future—whether that's your emergency fund, retirement or a child's education.

And if, in the past, those "extras" caused you to overspend and get into debt, this is your chance to change those habits. Use this enforced saving to pay down your credit cards.

If your income has dropped, try to lower fixed costs to make the most of what you have

When changes in income make it hard to cover essentials, it's not just a matter of rethinking your budget and eliminating extras, but of figuring out how to lower fixed costs. Here are some tangible ways to do that:

- Shop smart to lower food costs. The [USDA](#)  has a website to help you make healthy, lower-cost choices.
- Review your utility bills to see if you can lower usage, and contact your providers about lower-cost options.

- Negotiate fees with cable and internet companies.
- Look at your cell phone usage and what you may be paying for things like unlimited data that you may not need.
- Cancel streaming or other services you don't use.
- Review your auto insurance coverage and deductibles. If you're not driving much, you may be able to lower your premiums.

Actually, re-evaluating your fixed costs and looking for ways to save is a smart move at any time. You may find that the changes you make to cover today's circumstances have long-term benefits, giving you more money to direct toward other goals when things get better and cash isn't so tight.

If you're struggling to make ends meet, make a game plan for the short term

Right now, a lot of people—especially gig workers, part-time employees, and those who've recently been laid off—are trying to figure out how to get through the next few months. First, review your resources and decide what you can cover.

If you've depleted your savings but you're still employed, take a hard look at any automatic savings plans. Consider deferring any savings for a child's college education. And if you're contributing more than the company match to a 401(k), you might reduce that percentage temporarily. Avoid borrowing if you can.

Next, prioritize your bills, putting housing, utilities and health insurance at the top of the list. For the time being only, consider paying the minimum on credit card balances, car loans and student loans. Be extra careful about reducing or cutting any of your insurance coverage. That could wind up being penny-wise and pound foolish.

Take advantage of extra help if you need it

If cutting your budget isn't enough to make ends meet in the current environment, take heart. More help could be available. For instance:

- If your income has been impacted by the pandemic, you may be able to lower or suspend your mortgage payments for up to one year in some cases. Contact your lender.
- If you're having trouble paying your rent, talk to your landlord about your situation and your options. Some states and municipalities are providing eviction restrictions for impacted individuals.
- In response to COVID-19, federal law allows states to expand and increase unemployment benefits to more people, including a supplemental \$600/week for up to four months. Apply at your state unemployment office.
- The Families First Coronavirus Response Act requires certain employers to provide employees with paid expanded family and medical leave related to COVID-19 through December 31, 2020. Talk to your employer.
- New laws make it possible for most federal borrowers to suspend student loan payments for two months. Contact your loan servicer.

- Many utilities and phone companies have stopped cutting off services for nonpayment. Call them.

If you know you're going to fall short, don't just let bills become overdue. *Reach out to providers and creditors.* Under these unusual circumstances, many are willing to work with you, but it's up to *you* to let them know.

Think of the future

It's hard to think about the future when you're struggling in the present, but try to keep looking forward. If you have income, be smart about every penny and if you can, keep saving. If you have kids, talk to them about how tightening your belt now will help you get back to normal when things turn around. Reach out to friends and family to get—and give—moral support. Don't be shy about asking for help. While the present may seem a bit bleak, I believe the future is still bright.

Have a personal finance question? Email us at askcarrie@schwab.com. Carrie cannot respond to questions directly, but your topic may be considered for a future article. For Schwab account questions and general inquiries, [contact](#) Schwab.

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