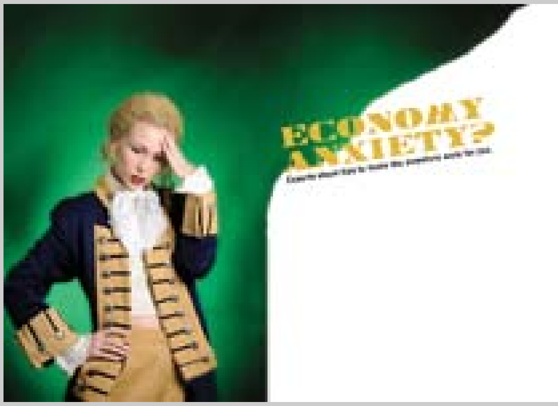
Economy Anxiety By Xing Hong



It seems like these days, the briefest listen (or read) of most headlines can lead to Economy Anxiety (EA). A recession is almost certainly upon us, and as a result, consumers are tightening belts, scaling back and downright putting a freeze on spending in an attempt to stave off the negative impact. But does this risk accelerating a universally dangerous self-fulfilling prophecy? It's true that if a big one hits, we will all feel a crunch, but marshalling the following experts' tried and true tips can help create some insulation – and might even create new opportunity.

1) Don't Get Emotional
The economy is but a cycle, so don't get caught up in guessing games that will only distract you from focusing on what you can control – your own spending, planning and adjusting to the changes. The savviest finance gurus can only hypothesize at best – and this is despite the endless information, experience and resources at their fingertips. But a key resource the experts do use in preparing for the future is the past. Individuals can do the same. For one month, make a record of every penny spent. At the end of the month, tally it into different categories like food, gas, entertainment and so forth, to get a clear picture of where you are spending money (and why). This is your financial spine.

2) Get Honest
Is your "spine" slouching from a $100 coffee category because you are stuck on that daily Starbucks? Maybe you should get a coffee maker or switch to a less expensive brand. Doing things at home, or for yourself, that you have been "going out" to do might loosen up a few bucks to cover inflated costs in another area (like gas). Just remember that making big changes, like firing your local landscaper or personal trainer, might take a customer out of the bank, staffing firm, restaurant or theater where you work and that might come back to affect you.

3) Budget
A budget is essential to keep you on track from day to day, week to week and month to month. It will keep you from overspending. Just remember two things: your rights and

responsibilities. You have the right to protect yourself from financial missteps by not overspending or building more debt. But you also have a responsibility to keep the economy cycling by not cutting your money out of it completely. Be careful, but be conscientious. (Remember your landscaper?) Set limits, but be realistic. Prioritize your spending to help create a budget you can live by rather than one governed by abstinence, which will only send you running for the nearest cash machine. For example, if you're used to a swanky lifestyle, keep the fancy home but trade in your four-digit auto lease for a lower finance payment to own a gently used earlier model (which will create an asset as opposed to the never-ending liability).

4) Make a Plan

The key is to balance short-term needs with long-term goals. Now that you have a cool head, and understand your past, forge a plan. Lawrence D. Sprung, Investment Advisor Representative at Mitlin Financial, notes the first step is hiring a financial planner who will develop a plan based on your "personal situation… your goals, your age, your assets and income, your liabilities and your tolerance for risk." When the markets retreat, don't look to water cooler gossip or media hype for guidance; your financial professional and the strategy you put together are in place to help you decide your next move.

5) Play it Safe, not Stalled

Understanding investment opportunities is how you can most effectively leverage the downturn in your favor. If your portfolio is based on volatile industries, or sectors that are more vulnerable to this particular downturn, don't completely pull out of the market, transfer your assets to more conservative investments instead. After all, staying invested during a recession keeps you in position for when the economy recovers. (The average recession lasts only about ten months.) Charles Massimo, wealth management expert and president and founder of CJM Fiscal Management says, "Rather than cashing in stocks and hiding cash under their mattresses, investors need to take this time to make adjustments to their long-term investment strategies in order to protect their portfolios." Think diversified and think global. Basic things to do include: putting money into investment-grade corporate bond funds rather than purchasing US Treasuries, buying shares in several exchange-traded funds (ETFs) rather than picking "hot stocks" and keeping a little extra money in an interest-bearing money-market account or CDs. However, Massimo warns, "Do not go overly conservative." A drastic, unilateral change now might simply exchange one risk for another, creating a negative situation later on.

7) Mortgage Mayhem

After the last recession (2001), lending standards seemed based only on species (if you were human, you could get a mortgage). Today we are suffering from that hangover – but two aspirin and a little Gatorade might help you get through it. Chances are you have some equity in your home. Rates are at a low. And although mortgage applications are at a high, quantity does not beget quality, leaving many lenders starved for stable borrowers. A good payment history, credit score and equity track can often be leveraged to negotiate a better rate with your current bank (or another one trying to attract your business). A little time spent weighing your options can free up monthly funds to be used elsewhere.

7) Debt and Those Damned Credit Cards
In response to supposed consumer anemia, retailers have been discounting merchandise at a ridiculous rate – and it's worked, we're shopping at an Olympic proportions. Join the club, but don't get caught in the whirlpool; use debit cards instead of credit cards so you only spend what you have rather than continue to build debt you can't afford. In fact, monitor your credit report regularly, keep an eye on your credit score and consolidate or eliminate debt wherever possible. Shop around for competitive interest rates if you do have debt on your credit cards and haggle, haggle, haggle until you get credit structure of your dreams. Just be wary of hidden fees, long term increases and new to market creditors who may be here today, gone tomorrow, leaving you in the lurch with your debt. Steve Schwimmer, a credit card services expert, advises, "Visit bankrate.com and see rates and fees of banks around the country. But be aware of scams, if something looks too good to be true, it probably is. Make sure the institution is FDIC." When it comes to making those payments, Schwimmer advises, "Make sure your payment is ahead of time. And always for more than minimum amount," as payment history affects your rate and credit score.

8) Protect Your Interests
YOU are your greatest asset and therefore the most important one to protect. Evaluate all your private insurance policies and employment related benefits to make sure you are as bulletproof as possible should you become unemployed or otherwise incapable of keeping up with your financial responsibilities. Take a look at your job, but also your employer. Do benefits stay with you regardless of where you are employed? Mack The Credit Man says, "There are careers and job positions that are more prone to feeling the pain of a recession. It's a wise move to make sure you are working for a company that won't be hit so hard that they may have to scale back on employees or what they pay." Just don't go jumping from the pan to the fire: job cuts tend to be prioritized from newest hires to oldest.

9) Put Your Money Where Your Mouth Is
Eric Neuwirth, CFP, Associate Vice President – Investments, A.G. Edwards (Huntington Village), says, "Successful investors are the ones who develop the discipline and patience to stay the course over the long run, despite market fluctuations. It's important to realize that market highs and lows are a natural occurrence, and should be considered a normal part of investing." Neuwirth goes on to caution, "Consistent reviews will help you identify when your portfolio needs to be rebalanced, helping you maintain a proper asset mix." Likewise, many experts are claiming that adding bonds to an already diverse portfolio can help mitigate risks as well as help the overall strategy in various ways. Analysts also point to indicators that show while stocks are hitting all-time lows, energy, raw materials and gold are on the rise. Health care, agriculture exports and insurance industries are also on the up. But, as the saying goes, one man's trash is another man's…

10) Opportunity
Adjustable rate mortgages and the sub-prime collapse have created large housing inventories. Construction and housing sectors are considered to already be in a recession. With housing prices under pressure, many properties are hitting prices grossly

undervalued when compared to five years ago – and maybe even five years from now. Rather than take a second mortgage for a remodeling project intended to make you comfortable about staying put, maybe now is a good time to use those funds for a down payment on a second home that can generate rental income.

11) Oh Yeah, Save
Think about mom and dad preaching rainy-day practicalities and consider every expenditure an opportunity to save money. Downsize where possible, and avoid quick-fix behavior, like playing the lottery, because the money is better off in your pocket than battling stiff odds. Recycle the extra dollars back into your plan, real estate endeavor or an interest-bearing account.

==============
BUSINESSES:

12) People Power
Changes in the economy scatter people creating multitudes of changes in personal networks. Large businesses often restructure staff. This gives smaller businesses both the opportunity to A) recruit well-trained, experienced, professionals who otherwise stay in corporate settings and B) capture revenue by providing outsourced operations.

13) Know What You're Going to Say
What makes you different from the competition? When things get tight, people expect more for their dollar. What can you offer that will seal the deal – what is your "unique selling proposition" – or the thing that can give you an edge over the competition? Are you exclusive? Do you offer something special? What can you do to produce the feeling of "I need this right now"?

14) It Pays to Advertise
Whether investing in traditional advertising, experiential programs, profit-sharing based marketing, increasing the visibility and interaction of your company website, or all of the above, advertising is the only guaranteed exposure you can expect. It's the Wild West out there; to attract new customers (or increase interest from existing ones), smart, targeted messaging is critical to informing the public why they need to come in now and spend the money they are inclined to hold onto with a clenched fist.

15) Sell! Sell! Sell!
"During an economic downturn most salespeople become overly concerned that no one will buy from them. The key is to remember that there is still plenty of opportunity in your marketplace and this may be your best chance to stand out while everyone else has gone into hiding," says Mike Munzer a Partner at The Sandler Sales Institute, a Hauppauge-based training and consulting firm that helps companies improve performance in the areas of sales and sales management. Also, stop being an "unpaid consultant." Munzer encourages salespeople to get proactive, "Stop *providing* information and start *gathering* information." The key to successful selling is how well you understand a prospect's situation and can determine if there is a real fit between what

you provide and what they need. You will waste MUCH LESS time generating unproductive proposals and focus more time on getting in front of more prospects. Get control of your selling process so you don't waste time– Build a "what happens now?" step in your sales process, which we call an "up-front contract." Not a written document, but a verbal agreement that makes it clear to the prospect/customer what exactly is going to happen next. Stop "selling" – Many of us think if a prospect is convinced that the features and benefits of what we offer are better than the competition, they'll invest in us. If we move away from "selling" and move towards finding their real issues, determining their willingness and ability to invest and understanding their decision process, we'll start asking great questions – the right questions – that will allow prospects to discover that we are the answer to their problems.

16) Buy a Competitor

Think like a Roman: If you can beat them, conquer them. Paige Craig, founder of Lincoln Group, and Estrea Dworkin Janoson, president of ProAd Solutions, point out that often times, business mismanage their resources during a recession, however their core culture is still an asset. Likewise, larger companies may look to dump non-core areas of their businesses that you can pick up to strengthen your own position in the marketplace and eliminate competition at the same time. When the recession subsides, you'll also have a new public relations spin to capitalize on.

17) Be a Frugal Merchant

Are you processing credit card charges for your customers? "Do a daily batch rather than for each individual charge," says Steve Schwimmer, LI Regional Sales Manager at Renaissance Associates, a premiere credit card services provider. "But don't wait too long," he adds, "there's a timeline between doing an authorization and the batch, waiting means you pay more. Plus an authorization can expire." Schwimmer has been in the business for over sixteen years and helps clients with processing solutions (516phoneme.com). "There are different rate structures for different cards. And different fees that credit card companies charge. Most of those can be negotiated…Call your merchant service agent [or] go to the statement and call that number directly." Also, take a look at your equipment; buy a terminal rather than lease/rent. All or part of a lease/rent expense is tax deductible, but it's still money out the window. Finally, in certain cases a merchant may not see the card being charged. If the processor asks for an address or zip code, you're better entering even a wrong one than nothing – fees are often higher if these fields are bypassed.

Sources:

Lawrence D. Sprung, Investment Advisor Representative at Mitlin Financial
Charles Massimo, wealth management expert and president and founder of CJM Fiscal Management
JJ Burns
Steve Schwimmer
Mack The Credit Man

Eric Neuwirth, CFP, Associate Vice President – Investments, A.G. Edwards (Huntington Village)
Mike Munzer a Partner at The Sandler Sales Institute, a Hauppauge-based training and consulting firm that helps companies improve performance in the areas of sales and sales management
Paige Craig, founder of Lincoln Group, and Estrea Dworkin Janoson, president of ProAd Solutions