Five Things to Resist Doing in a Turbulent Economy

GREENWOOD VILLAGE, COLORADO - "After seeing the top headlines of the day it might seem like a good idea, but don't stop putting money in your 401(k), even as the market swoons," says Brent Neiser, a Certified Financial Planner (CFP®) and director with the National Endowment for Financial Education® (NEFE®).

Thanks to the recent stock and bond market roller coaster ride, you might be thinking about borrowing against your home or withdrawing money from your 401(k) while you "ride out the storm." While it is never a bad idea to re-examine and rebalance your budget and portfolio, now is not the time for hasty decisions. In fact, now is the time to be even more cautious.

NEFE says there are five main things to resist doing in an erratic economy.

1. Don't borrow money to continue your current lifestyle. If your income has dropped or you think it is about to, now is the time to rewrite your budget. Income doesn't match expenditures? Then it's time to make some cuts and adjust.

2. Avoid pulling out funds or taking a loan from your 401(k). Even more important, you should continue making contributions into it. If you have to cut back, at least continue to save the amount (or percentage) matched by your employer. Remember, that's "free" money. If you're nervous about the ups and downs of the stock market, consider changing your allocation strategy, but stay diversified.

3. Even if you're tempted by low interest rates, avoid borrowing against your home equity to fund current expenses. The last thing you need right now is more debt. Another reason to avoid this type of lending is that your home could potentially devalue as a result of the soft housing market.

4. When the going gets tough, the tough turn to retail therapy and that is not a good philosophy in uncertain economic times. This would be an excellent time to re-evaluate your spending habits and avoid activities that cost money to make you feel better. Before shopping, make a list of only items you need and stick to it. Also, delay purchase decisions on anything other than routine items in your budget for at least 48 hours to be certain you need them. And remember, a diligent shopper is a smart shopper. Be sure to look for alternatives that are low or no cost.

5. Avoid turning to credit for unexpected expenses while you have savings in the bank. Credit card rates are in the double digits, while interest on savings is in the low single digits. Why would you want to "give away" 15 percent or more of your spendable income to credit card interest? If you have not already done so, now is the ideal time to start to build

an emergency savings. You never know when you'll need it. Hindsight is 20/20, and many Americans wish they had done that.

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