13 ways to cope with financial crisis

Few working Americans are old enough to have experienced anything like today's financial crisis. With shock and horror, we've seen friends and family members lose their jobs, neighbors' homes go into foreclosure, and trillions of dollars in retirement savings vaporize.

Our advice is, first of all, *Don't panic*. Remember, you're not alone. You have the support of a union looking out for your interests, and working to keep your benefits and your job safe. This support includes a host of money-management services available to you at Union Plus, where our mission is to help guide you down the path that will protect you best.

Second, be proactive in defending yourself and your family. Here are 13 recommended steps to help strengthen the financial security you need in these painful times.

1. Pay down debt.
The more you owe, the more vulnerable you are. To pay off credit cards and other debt faster, consider cutting back on your spending. (Union Plus offers saving strategies and discounts to make it easier.) If you need information to put together a plan, go to www.uniondebthelp.org for tips on digging out of debt, answers to common questions, and repayment calculators.

2. Don't sink deeper into a financial hole.
Swamped with bills? Need a budget? Take advantage of the Union Plus Credit Counseling program. Experienced credit counselors will listen to you and your needs, then help you develop a plan of action you can follow. For a free credit counseling session, budget analysis, and advice to help get your finances on a firmer footing, fill out the online request form or call the 24-hour toll-free line, 1-877-833-1745.

3. Keep saving and investing for the long term.
The best method: set up automatic transfers from your paycheck to a retirement plan account. This way, you won't be tempted to spend the money. And by investing regularly, you'll avoid the risk of putting all your funds in the market when prices are at a high. (If only!)

4. Don't fixate on market fluctuations.
If your goal is to build up a nest egg over time, don't let short-term ups and downs panic you into bailing out of the stock market. You still have the opportunity to benefit from its long-term growth potential. Tip: Instead of constantly checking your investments, look at your balance once a month (or even just once a quarter) to get a clearer view of the big picture.

5. Diversify your investments.

This involves putting together a balanced mix of stocks, bonds, and money market funds or other short-term investments, with the aim of offsetting “downs” in one asset category with “ups” in another — a strategy that helps reduce risk and promotes growth through good times and bad. To see if your investments are well balanced, learn more about asset allocation here.

6. Rebalance your IRA or 401(k).
If you already have a desired asset allocation, why return to it now? Because when the market turns around, big gains happen fast — and if you’ve taken time to buy more of an asset that’s now underweighted in your portfolio, like large-company stocks, you’ll be in a better position to benefit when they come back. If you don’t want to rejuggle your current investments, just direct all your new contributions to the asset category you need to beef up.

7. Retirees: Be sure you have enough cash for living expenses.
When you’re retired, it’s usually wise to keep some of your savings in stocks (the investment most likely to beat inflation), but you don’t want to risk the money you’ll need to pay next month’s bills. Consider stashing enough cash to cover two or more years of retirement expenses in a safe place, like bank certificates of deposit or a money market fund.

8. Refinance to a fixed-rate mortgage, if you can.
With a fixed-rate mortgage, you know how much you’ll pay every month — no need to worry about interest rates resetting or a balloon payment coming due. If you’re overwhelmed and in danger of missing mortgage payments, call the Union Plus Save My Home hotline right away at 1-866-490-5361.

9. Don’t panic if you’re underwater on your mortgage.
The widespread decline in real estate prices means that some owners now owe more on their home than they could sell it for. But unless you need to move right now, keep cool. After all, resale value probably isn’t the main reason you bought your home. It’s shelter for you and your family, a source of tax deductions, and someday an asset you may own free and clear. None of that has changed at all.

10. Planning to buy a home? Try to make a large down payment.
Mortgage lenders typically offer their best rates to qualified borrowers with a financial stake in the property. Many analysts predict that home prices won’t start recovering until later in 2009, so take time to save up a down payment of 10% or so (while improving your credit history, if you need to). Remember, as a union member you have access to mortgages through Union Plus.

11. Find out if your savings and investments are fully protected.
If a bank or federal credit union fails, up to $250,000 in deposits or shares per owner is protected by the Federal Deposit Insurance Corp. (FDIC) or the National Credit Union Administration (NCUA). Check to make sure your bank is a Member FDIC or your credit union belongs to NCUA. This newly increased level of insurance covers all of your funds on deposit as of October 3, 2008, and is valid through December 31, 2009.

Protections for investors are different:

- The $1 net asset value of shares in a **money market fund** is supported by the financial strength of the mutual fund company. As a temporary measure to reassure investors, the U.S. Treasury will guarantee all assets that were held in eligible money market funds on September 19, 2008. If you're concerned, ask your fund company if it has signed up for the Treasury plan.
- **Mutual funds** are structured as separate companies with fund assets held by a custodian, according to the Investment Company Institute. This means that even if your mutual fund manager goes out of business, creditors can't come after the fund's assets.
- If a brokerage firm fails, up to $500,000 worth of **stocks and bonds** in an investor's account are protected by the Securities Investor Protection Corporation (SIPC), an industry-funded organization. To make sure your broker is a Member SIPC, check its website or ads.

12. Know who stands behind your life insurance.
If you have life insurance or an annuity (an insurance contract that pays you income), check the issuer's financial strength on the A.M. Best website. (After registration, the search is free.) Your state's insurance guarantee association offers protection if an insurance company goes out of business. Most state associations cover at least $300,000 in death benefits and $100,000 in cash surrender value for life insurance, and $100,000 in withdrawal and cash value for fixed annuities.

13. Remember to vote on Tuesday, November 4.
No matter how else you respond to what's happening today, don't forget that tomorrow is in your hands. Be sure to vote!