

PRACTICAL TIPS ON MONEY MANAGEMENT AND FINANCIAL PLANNING IN A

TROUBLED ECONOMY

By Ana Romero, MAF

A COLLEAGUE OF MINE TOLD ME THAT THIS ERA is now referred to as the

Great Recession. It seems the economy has hit rock bottom, but the questions still remain: How much longer will we be there? And what do we do to get through the recession in the meantime?

Since the recession started, 15.1 million people have lost their jobs. We have seen unemployment go from 4.9 percent to over 10 percent, and it's expected to continue to rise through the year 2010. It is also expected that many of the jobs that have been lost will not be coming back even after the economy gets better. We are experiencing what is referred to as "permanent job loss" and aren't sure of the extent of the damage that has been done to many of our labor-intensive industries.

For the last two decades, consumption has been fueling

economic growth, which historically has shown little volatility because individuals tend to smooth consumption with credit usage and savings in bad times. However, consumption during this recession has demonstrated severe weaknesses since the middle of 2008. This is extremely important because consumption accounts for approximately 70 percent of our nation's gross domestic product (GDP).

Why the decline? We are acting as rational consumers. The days of expensive cars and houses may very well be behind us. We are migrating towards fundamental

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YOU SPOKE. WE LISTENED.

In a recent survey, an overwhelming number of **Attention readers** told us that they wanted more information that would help them navigate the current economy. So, in this issue, we've repackaged some practical tips from the session Ana Romero led at the Cleveland conference. Here's to better days!

changes in the way we choose to spend our money. We have seen so many jobs lost, debt has consumed many people around us. Loved ones have lost their homes. We have experienced a decline in wealth since the middle of 2007 in the amount of 13 trillion dollars primarily from declines in residential real estate and stock market portfolios. We don't want to revert to overspending and seeing our savings depleted ever again. Personal savings rates have risen steadily since 2004, and it would take a considerable rise in consumer confidence to get people to spend at a faster pace in today's economy.

Given the current economic situation we're in... no matter how AD/HD affects your life... what should you do?

Money Management

- **It's important to focus on your cash position.** Know what your take-home pay is and what your needs versus your wants are.
- > Follow a cash budget.
 - **Put a simple cash budget together** where you analyze and put down on paper where your money needs to go once you bring it home.
 - **Keep it simple.** A complicated cash budget will not be pleasurable to work with and therefore will make your ability to stick with it that much harder.
 - **Be honest with yourself!** If in fact getting pedicures and manicures are on your list of needs, then they need to be on your

SAMPLE CASH BUDGET

October	Actual	Budget	Variance	November	Actual	Budget	Variance
Rent	550.00	550.00	00			550.00	
Car Pay		250.00				250.00	
Utilities		325.00				325.00	
Credit Card	125.00	100.00	-25.00			100.00	
Groceries		200.00				200.00	
Gas		160.00				160.00	
Insurance		95.00				95.00	
Incidentals		150.00				150.00	
Trips		00				370.00	
Expenses		1830.00				2200.00	
Incoming		2100.00				2100.00	
Net Cash		270.00				-100.00	

cash budget. You must budget for all of your needs and ensure they are affordable and can be acquired without the need for credit or debt.

• Create and stick to a budget. On the sample budget below, you'll find that we have put together our expenses for the months of October and November. Looking at the trip we plan to take in November, we'll find that we either must scale back on some of our other expenses or we can't afford to take the trip. Our incoming cash must cover all expenses or we'll find ourselves once again using debt to finance our everyday life expenses. Actual amounts spent can be filled in as they occur as you become more comfortable with your own cash budget.

> Learn to be efficient with the money you do have.

We would all like our employers to give us a big raise. But as we know, most of us haven't seen a raise in years and in reality, we are content with knowing our jobs will be there tomorrow and we won't be one of the many layoffs we have witnessed in the last 24 months. So while a raise might seem to help our personal economic situation, I offer the following tips instead:

- **Pick up only items that are on sale.** Stores are going through the same recession that we are. By picking up only items that are on sale, we can save up to 50 percent of the retail price on most of our general groceries. Dollar stores are popping up all over the United States and many of them carry the same brand names in all areas!
- Make a list before you head out. This will ensure unwanted and unneeded items don't end up at home.
- Don't walk down each aisle. This is a sure way of picking up items that you don't need and are probably not accounted for on your cash budget.
- **Don't go to the store hungry.** We've all heard this one over and over again, but you'd be surprised how many times I go into the store so hungry, I want to open a bag of chips to tone down my hunger while I shop!
- **Don't bring your kids.** You'll find that no matter how much self-discipline you have, once you get that cute little look from your little one, that item will go right into the shopping basket. Too many of those incidents can have you pulling out your credit card to pay for those needed groceries at the end of the month.
- Buy generic or the brand that's on sale. While many of us have snubbed generic brands for years, it's time to give them a chance. Don't buy a year's supply of an item you haven't tried, but you'd be surprised at the cost savings of buying generic brands. Many times, your family won't even notice the difference!

Financial Planning

COLLEGE. Many parents have this at the top of their list and the most important tip I can give you on the subject is: *Don't borrow to send your kids to college!* There are many other options, and they are all exponentially better than putting yourself in debt to send your child to college, especially during the first two years of general education. Instead try these alternatives:

- **Community college.** Very affordable and the teacher-to-student ratio is much more manageable, especially for a teenager with AD/HD.
- **> 529 Plan.** Many states have programs that allow you to put pre-tax dollars away for the purpose of financing college expenses. If your children are younger and you see college in their future, start a plan as soon as you can. This can also be written into your cash budget.

> Grants and scholarships. While many of our students with AD/HD may not bring home the grades needed for some of these offerings, there are also sports, arts, and music scholarships available for the twice-gifted child. Do some research.

RETIREMENT. If your employer offers a 401K plan, put as much as you can into the program. These programs are funded with pre-tax dollars and give you a tax break in addition to helping you plan for the future. If your employer doesn't offer a 401K, there are many IRA accounts available through your financial institutions that offer the same benefits.

STOCKS. Before you decide to dabble in stocks, my advice is that a stress test be taken to ensure you don't take more risk than you are prepared to take. Many portfolios lost up to 45 percent of their value during this recession, and you need to be prepared for the possibility of another recession at some point. There are many opportunities to make money in the stock market, but the risk is great and you need to make a decision that is right for you and your loved ones before you put your life savings into the stock market.

In summary, we've seen skyrocketing unemployment over the last couple of years. We have a residential housing market that is still correcting itself. We don't know how long it will take to recover from this recession, but we do see things improving a bit in various sectors. The most important thing that we can do while the economy continues to stabilize itself is to live within our means, monitor our cash constraints and ensure we don't drown ourselves in unneeded debt. The rest will take care of itself!

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ADDITIONAL RESOURCES

Several 2009 CHADD conference sessions offered information on AD/HD-friendly ways to weather the global economic downturn. Ana Romero's pre-conference institute included presentations by AD/HD coach Robin Roman Wright, who addressed employment transitioning, résumé writing, and job interviewing, and Rick Tully from the Ohio Department of Mental Health, who outlined public assistance programs for families in financial need. In a separate conference session, Matthew Cohen, JD, and Norma Echavarria, MD, spoke on managing AD/HD

Visit chadd.org to purchase videos or audiotapes. Following the conference in November 2009, Rick Tully participated in a special Ask the Expert chat on public assistance programs; transcripts are available at chadd.org, free of charge to CHADD members.

in the face of global crisis.