



Consumer Confidence Is Up As the Summer Ends

But no matter how confident you are, develop a contingency plan today

At the end of the summer, the Conference Board announced that its Consumer Confidence Index advanced in August, after declining for the previous three months in a row.

The Index now stands at 103.2 (1985=100), up from 95.3 in July. But only 19% of consumers think business conditions are good, whereas 23% think conditions are bad. Hard to suggest that collective consumer confidence is up...



“Consumer confidence increased in August after falling for three straight months. The Present Situation Index recorded a gain for the first time since March. The Expectations Index likewise improved from July’s 9-year low, but remains below a reading of 80, suggesting recession risks continue. Concerns about inflation continued their retreat but remained

elevated,” read the press release from the Conference Board.

Think the Unthinkable

Although confidence and positive thinking serves you well most of the time, don’t let it stop you from preparing for unexpected catastrophes such as a job loss, serious illness, death or divorce. As ugly as that sounds, it’s unwise to procrastinate or avoid making plans to get you through tough times.

Here are some tough questions to ask yourself when developing a contingency plan:

- How long can I pay my existing bills if I lose my paycheck? What expenses could I cut?
- How long do I get paid if I am sick and unable to work? How much of my paycheck would I get? How long can I keep my group benefits?
- What are my financial obligations if I were to die unexpectedly?
- How much income would my family need to maintain the existing household?
- How long would my assets last if I need long-term medical care? Would my spouse have adequate income?

Write your answers down and be realistic. Can a 60-year-old who has been out of the workforce for 20

years find a ready job market for his or her skills? Would you downsize your family home or cash in your retirement plan to pay current expenses? Probably not.

Develop a Plan

You need to develop a contingency plan just in case calamity strikes. Your plan should be incorporated into your day-to-day financial decisions. If you have high mortgage, auto and credit card debt, you are at greater risk due to loss of income. As you make important financial decisions, ask yourself whether you can continue to meet your obligations even if you lose your job.

Create an Emergency Fund

Establish an emergency fund of approximately six months of living expenses. This fund will provide cash flow for short-term income loss and protect your retirement investments from the penalties and expenses of cashing out.

Also, it will protect you from creating more problems by using your credit card for emergencies.

Evaluate Your Insurance

It's also important to look at your life and disability insurance options.

Are your life insurance benefits adequate? How much of your life insurance is tied to your job? You might need to get a personal policy that provides adequate coverage for your needs. Do you have insurance that replaces your income if you become sick or hurt? A good disability policy should replace at least 60% of your income for several years at least.

Some group plans provide benefits that are taxable when received. This could create an unexpected shortfall in income when it is needed. You might need to personally supplement your group plan with an individual policy to make up the difference.

If you are nearing retirement, you could take out insurance to cover long-term medical care. Even a well-funded retirement account could be depleted in a short time if you or your spouse needs this care. Will your existing retirement plan cover the costs of the care and still provide a lifetime income to the healthy spouse?

Update Your Will (or Get One)

Update your estate planning documents such as wills and trusts to make sure they reflect your wishes. They should also provide instruction for your loved ones in case you become incapacitated and are unable to provide guidance.

Of course, it isn't easy to think about worst-case scenarios, but these things happen.

Your Financial Advisor

Most of us know someone who had a seemingly secure job become a casualty due to illness or an accident. And nobody is immune to illness and accident. The more you prepare your contingency plan, the better you will weather these storms and emerge with your financial plan intact.

A consultation with your financial planning professional will help make sure you cover all of the contingencies. Your advisor will review your situation and help you develop a plan that meets your specific needs.

It's uncomfortable and stressful to think about, but having a solid backup plan gives you more peace of mind to enjoy your life.