

Your Pandemic Financial Survival Kit: What to Do, What to Avoid, and Handling Change

Source: [Forbes](#)

The headlines about the coronavirus and reports of how it will impact the economy and potentially lead to a recession are all a cause for concern. The total impact of the extreme slowdown and virtual shutdown of many businesses is yet to be seen. However, many elements of how to manage any financial crisis still apply.

Success hinges on the financial planning you do before you feel the impact of the crisis, during the period if you are affected, and when things revert back to normal. The following provides some of the things you'll want to do and avoid doing and how to handle changes, including the return to normal. (We will get there!)

DON'T PANIC!

If you are nearing retirement or any other goal that would require you to sell some investments anyway (aka you need to start spending your savings in the next 0-5 years, depending on your risk tolerance), then regardless of what experts are predicting, it's probably a good idea to plan ahead for withdrawals. If you're like me with many years to go until you'll need that money, here's just a quick reminder that investing is for the long haul and in most cases, trying to time the market is a losing game. You may want to follow the advice of many investing experts and just stay the course.

Evaluate your risk tolerance and rebalance if needed

You can then take various risk tolerance questionnaires online to make sure you have the right amount of your portfolio in stocks, bonds, and cash based on your time frame and comfort with risk. If your money is invested in a target date fund or other asset allocation fund, then this will already be done for you. If you've created your own mix, it might be time to reallocate between stocks and bonds.

Stay focused on the long term and your goals

Remember, the important thing is to stay diversified and focused on your long-term goals. When it comes to investing during a downturn, the answer is often *not* to do something. It is to just stand there (and maybe avoid checking your accounts too much). If anything, you might just get excited about the opportunity to buy investments "on sale" the next time you get paid and contribute to your 401(k) plan.

WHAT TO DO

Before an income loss: Planning

3 months of expenses saved for emergencies

In an emergency, cash is truly king. No matter how adequate your emergency savings are, you never know how long you might need to cover expenses in the event of a loss of income. The rule of thumb is to have 3-6 months of expenses in a savings account.

The specific amount you decide is best for you and your family will depend on your personal comfort level, the availability of other sources of financial support, and how risky your income is. Regardless of the amount, make sure the money is easily accessible in a savings account or safely secured in your emergency kit.

Strategies for Success: Consider opening a separate emergency savings account, and setting up automatic deposits into that account. A site like [bankrate.com](#) can give you some good online options.

Create a crisis budget

This budget eliminates any non-essential spending and drills down to exactly how much you would need for the essentials like food, shelter and transportation. Knowing how much you need to survive will help prevent you from panicking because you know exactly what to cut back on and how long your savings would last.

Strategies for Success: Consider using budgeting software through your bank but also research other budgeting software programs. If you are a pen and paper person, print out your statements and jot everything down or put it in a spreadsheet (many templates are available online or on Excel). Tracking your spending will help you understand exactly where your money is going so that you can stay on track for your financial goals.

HANDLING CHANGE:

Loss of income: Implementing your plan

Contact creditors immediately

Even if you have an emergency fund, we have no idea how long a loss of income might last. As a safety measure, contact your creditors and inform them of your status. Hopefully, most of your creditors are well aware of the impact of the virus on their clients and will offer to work with you if you get to a point where you could no longer pay your bills. You might realize that the more you communicate with your creditors, the more willing they will be to work with you.

Adjust your lifestyle

Implement the crisis budget and immediately adjust your lifestyle to this new circumstance. Basically, any expense that does not involve the essentials such as food, shelter and transportation should come to a halt. This will help you weather this transitional period.

The Return to Normal: Recovery

Resist the urge to splurge

After a crisis, there might be a temptation to immediately go back to your prior spending, but doing that will prevent you from rebuilding your emergency savings. Plan to stick to your crisis budget until your emergency savings are rebuilt.

Surviving the 'stress test'

Making this decision now can help prepare you and your family and make this a minor blip on your finances rather than a life-altering crisis. No one's financial situation is guaranteed, so we all must plan for unforeseen circumstances by:

- NOT PANICKING
- Focusing on the long term and your goals when it comes to investing
- Having an emergency savings account
- Having an idea of how much you need to maintain food, shelter and transportation
- Being able to live off a spending plan
- Immediately adjusting your lifestyle when a crisis strikes

PEOPLE RESOURCES

- Knowing your benefits to deal with loss of childcare, workplace changes, loss of income and handling sickness
- REMEMBERING THIS TOO SHALL PASS