Handling a Financial Setback

A serious financial setback can happen at any time in life, and it can take many different forms: a lost job, a broken appliance, a prolonged illness or injury, divorce, death of a partner, an accident resulting in mounting medical bills, or a natural disaster that affects home or work.

Like any other traumatic event, a financial setback can take a toll on your wellbeing and will take time to recover from. But it isn’t the end of the road! Follow these steps to successfully handle a financial setback and develop financial resilience.

Don’t let emotions rule your decisions

Financial decisions and emotions rarely mix well. Studies show that stress reduces the ability to make smart money decisions. Grief, shock, and decision-making demands take up a lot of room in your head. If you understand this, you can work to separate your emotions from your next money moves. And it’s ok to manage your emotions and self-care first!

Reset your budget

The next step in managing your new financial reality is to create an adjusted budget for yourself, taking into account any new expenses, lost income, and insurance involvement. You can update your budget in the same way you built the earlier version: list any income streams, then list all expenses and whether they’re fixed (rent, car payment, insurance) or flexible (gas, food, entertainment). Make sure your income is greater than your expenses in your new scenario. If it falls short, now is the time to start scaling back expenses and/or finding other income sources. The sooner you trim expenses and avoid wiping out your savings, the longer you have to overcome the setback.

Other options to help your budget include filing for unemployment, filing for a disability insurance payout, contacting Social Security if your spouse died, dipping into savings, refinancing a mortgage or car loan, or requesting deferred payments from your lenders.

If the financial setback is the reason you’re considering building a budget for the first time, there are many helpful websites, blogs, finance platforms, and professionals at your credit union who can help you out—for free!

Take care of yourself

Missing out on quality sleep, not eating or not eating a healthy diet, not drinking enough water, and not getting out in the sunshine to move your muscles can all make handling stress and anxiety feel even harder. Taking care of yourself is an important part of financial resilience—you need to be in good mental and physical shape!

As part of the care for yourself and your finances, don’t let pride or fear stop you from asking for help. And don’t feel like you need to have all of the answers or a perfect new budget right away! Small steps like curbing one area of spending or increasing some emergency fund saving are all admirable steps.


Setting Financial Goals for the New Year

The start of the new year is a great time to set goals of all kinds, including financial ones! Or maybe you’d like to reassess previous financial goals. In either case, below are four steps that will help you gain clarity on what your financial goals mean to you and your life as well as help you craft a totally doable plan for success.

1. Think about what you want. And why.

Financial planning goals are lifetime goals. Think about it: if your dream for your life includes regular, extensive travel or a private education for your children, those things are also financial goals because you will need sufficient funds to achieve them. So, your first step is to think about (and even better, write down!) what your lifetime, or lifestyle, goals are and why they are important to you. The “why” is key because it will serve as a compass point when obstacles, challenges, and tough decisions come along.

Here are some lifetime and financial goals that might be important to you:
1. Retire early
2. Own a vacation home
3. Travel
4. Send your children to certain schools
5. Have a second career or start your own business
6. Work part time to pursue other passions

2. Assess where you are now.

Before you move forward with a plan to achieve your goals, you’ll need to assess where your finances are right now. Specifically, you’ll want to have accurate figures for your income, budget, debts, and net worth.
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Understanding these four aspects of your financial health will show you how to most effectively construct your financial plan and prioritize goals.

3. Create a plan with steps.

If, in step two, you discover that your spending habits are overtaking your income, you’ll want to establish certain financial habits first before creating a plan for your larger goals: create and stick to a personal budget, build an emergency fund, begin paying off debt beyond minimum payments, and start saving regularly for retirement.

Once you’ve done those things, you can design a workable plan to achieve your longer term financial and life goals. This plan should contain smaller steps—like a pyramid of short-term goals that support and build up to a capstone goal. Consider layering and structuring these steps in three-year, one-year, and three-month increments. With these shorter, closer time frames it’s easier to map out actionable steps without becoming overwhelmed, losing sight of ultimate goals, or coming up short in the end.


Every time you achieve a step or goal of any size, be sure to track and celebrate your progress! You deserve the celebration (working toward any goal is hard work!) and tracking your success will keep your ultimate objectives clear and front of mind. Monitoring your progress also gives you a chance to make sure you’re staying on track and to make any needed adjustments—say if you got a promotion or had an unexpected expense recently.

http://snocope.frc.finresourcecenter.com/Financial_Planning_165893.htm?article_id=2817

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