

What to Do with Your Money During Tough Times

How will you get through the difficult economic times ahead? Here's how to shop, where to bank, and how to save and invest to help you weather the storm while contributing to a more just and sustainable economy.

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Millions of Americans are feeling the pinch of the troubled economy. You may have lost your job or worry about losing it. You may struggle to make your monthly mortgage payment or have already been forced into foreclosure. Perhaps you've incurred so much debt that you wonder if filing for bankruptcy is the only option.

Or, perhaps you've been saving for retirement, or have recently retired, and you worry about whether your money will stretch, considering the underperformance of your investments, and the devaluation of the dollar.



These are valid concerns, magnified by other current circumstances: “peak oil” and the resulting spike in fuel prices; the threat of global warming; and the impact of our national debt on this and future generations.

The first rule for weathering this financial storm: don't panic. These times remind us of the importance of financial planning, particularly putting aside six months of salary and living within our means. In 2007, consumer debt rose 5.5 percent—twice as fast as wages. If you're like most Americans, you now spend 20 percent of your budget on consumer debt. With home equity lines of credit disappearing, people are using their credit cards more, resulting in increased bankruptcy filings. What else can you do?

1 REDUCE DEBT

“It's not what you make, it's what you don't spend” may sound clichéd, but it's true. Not spending is the greatest habit to embrace. Consider cutting up your credit cards and paying them down entirely. Debt consolidators can help, as can 0 percent-interest cards for balance transfers, but read the fine print regarding fees and terms. Use community-based credit cards from your own local credit union, or socially responsible lenders like [Shorebank](#) or Self-Help Credit Union, as these tend to have fewer and lower fees and clearer terms. Visit responsiblelending.org for more information. And by all means, avoid payday loans with their obscenely high rates.

2 BUILD SAVINGS

Pay yourself first and always. The first item in your monthly budget should be your own savings. Determine an income percentage that makes sense for you. To assure you stick with it, have this amount automatically deposited into an investment account on payday. Years from now, you'll be glad you did.

3 CUT SPENDING

Live within your means. It's hard to resist material temptations, but it's important to accept your circumstances. There are no shortcuts, as recent events clearly indicate. Purchase budgeting software or take a class on personal finance to learn simple strategies that empower you for life.

4 BE PATIENT

History tells us that real estate and financial markets are cyclical, and there have always been recoveries. If you have investments that have dwindled, remember what they originally cost, for you still might be ahead despite this recent downturn. If there is a more serious economic downturn, don't buy gold or stuff cash into the basement; put your money in insured credit unions and banks.

5 GREEN YOUR MONEY

The quickest way to push for a more just and sustainable economy is using our purchasing power to encourage social and environmental change. How we shop, where we bank, and the manner in which we invest can help establish new patterns of local and national economic development that could emerge out of this crisis stronger than ever. Here are some ways to weather this crisis while using our buying/investing/borrowing power to create a more regenerative infrastructure:

BUY LOCAL: Local food may require simplifying your diet, but it cuts down on carbon-spewing long-distance transportation. Urge your local government to look at owning electric, telephone, and internet utilities to assure that they operate in the interests of the community and support a sustainable environment. Local Exchange Trading Systems, community currencies, barter directories, farmers' markets, shares in community-supported agriculture, child care and other service co-ops, regional building materials production and reuse, and agricultural and community land trusts are all ways to build a thriving economy in local goods and services.

[Business Alliance for Local Living Economies](#) is a great resource.

livingeconomies.org

[See Ethan Miller's article from the Go Local issue: [Independence from the Corporate Global Economy](#)]

BANK WITH CARE: Your checking and savings accounts, and your debt, can make a difference if you place them in [Community Development Financial Institutions](#) (CDFIs), which direct resources toward poverty alleviation and ecological restoration. These mission-based

institutions use your deposits to help urban and rural people who can't otherwise access capital to start businesses, own homes, and rebuild depressed communities or those devastated by natural disasters. The money can circulate locally or globally to suit your social priorities.

communityinvest.org

BUY GREEN: Many cities have directories of green businesses. Co-op America publishes the National Green Pages, a great resource that emphasizes local and non-corporate economic self-sufficiency. coopamerica.org

BUY FROM "FOR-BENEFIT" COMPANIES: When buying products made outside your community, make informed choices. The Better World Shopping Guide, by Ellis Jones, is a user-friendly guide to name-brand ethical shopping, featuring leaders in social and environmental responsibility like Seventh Generation, Patagonia, American Apparel, and Eden Foods.

B Corporation, bcorporation.net, is a national network whose members revise their charters to make the interests of employees, community, and the environment equal to the interests of owners and shareholders.

INVEST WITH ETHICAL INTENT: The Social Investment Forum's recently released 2007 Trends Report shows that \$2.7 trillion of U.S. investments use environmental, social, and/or governance factors as part of the selection process. You can invest as little as \$250 in socially responsible investments (SRI) that avoid ethically objectionable industries or corporate practices. You can also invest in transformational businesses in renewable energy, recyclables, biodegradables, natural fibers, organic agriculture, and regenerative forestry.

For people concerned about competitive returns, the Finance Initiative of the United Nations Environment Programme recently released "Demystifying Responsible Investment Performance," a report analyzing 30 academic and broker studies of returns on SRI. The report, available at www.unepfi.org, showed that in 27 of the studies, there was either a neutral or positive correlation between socially responsible investments and financial return, proving that it is possible to make money while making a difference.

While no one knows what lies in our economic future, it is critical to have a combination of patience and persistence along with a commitment to values-based spending and investment. By seeing this downturn as an opportunity to transform capitalism into something more compassionate and ethical, we can create the change we wish to see in the world.

For the full article, please refer to: <http://www.yesmagazine.org/issues/a-just-foreign-policy/what-to-do-with-your-money-during-tough-times>