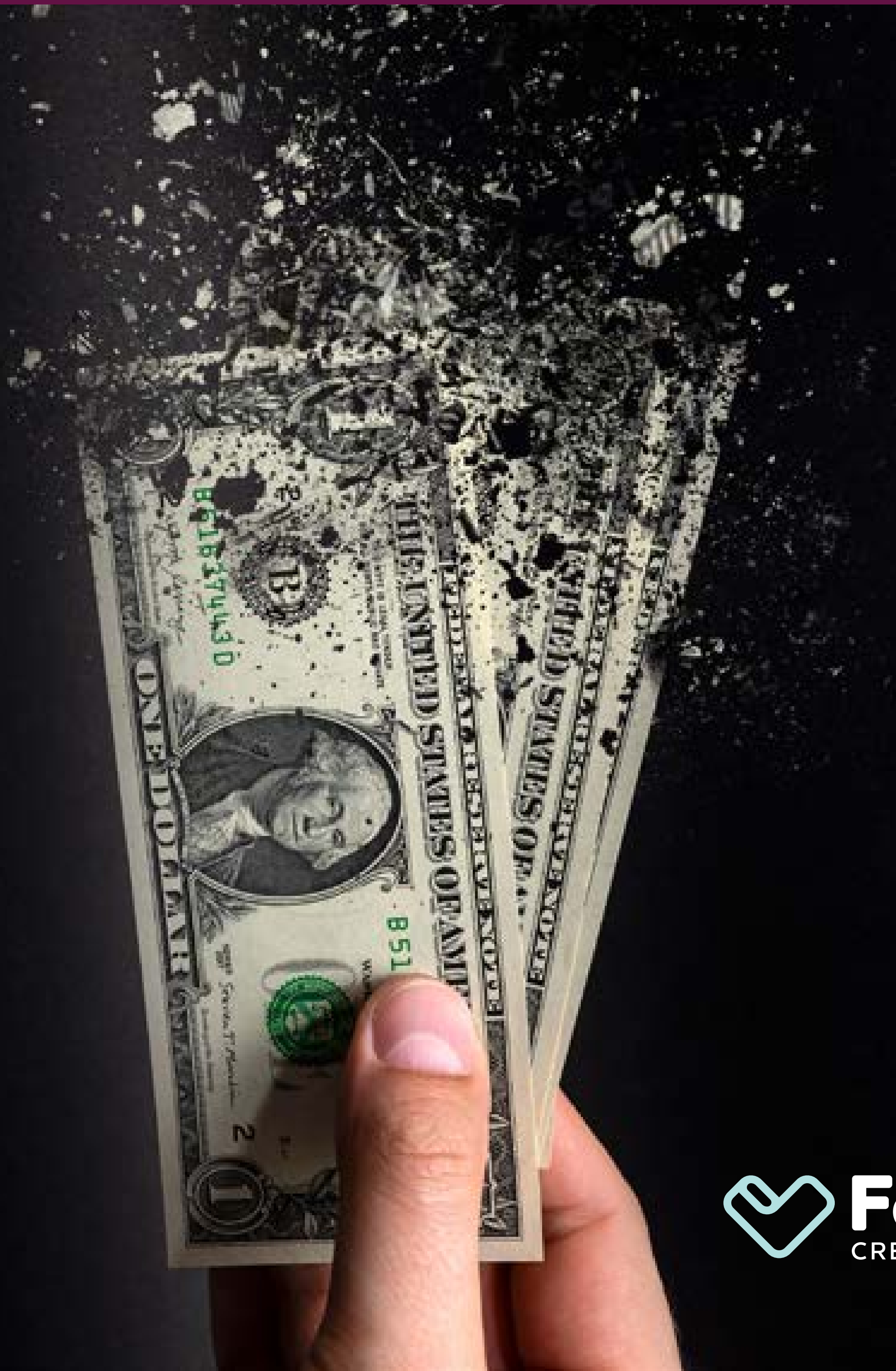
HOW TO MAKE YOURSELF
RECESSION-PROOF



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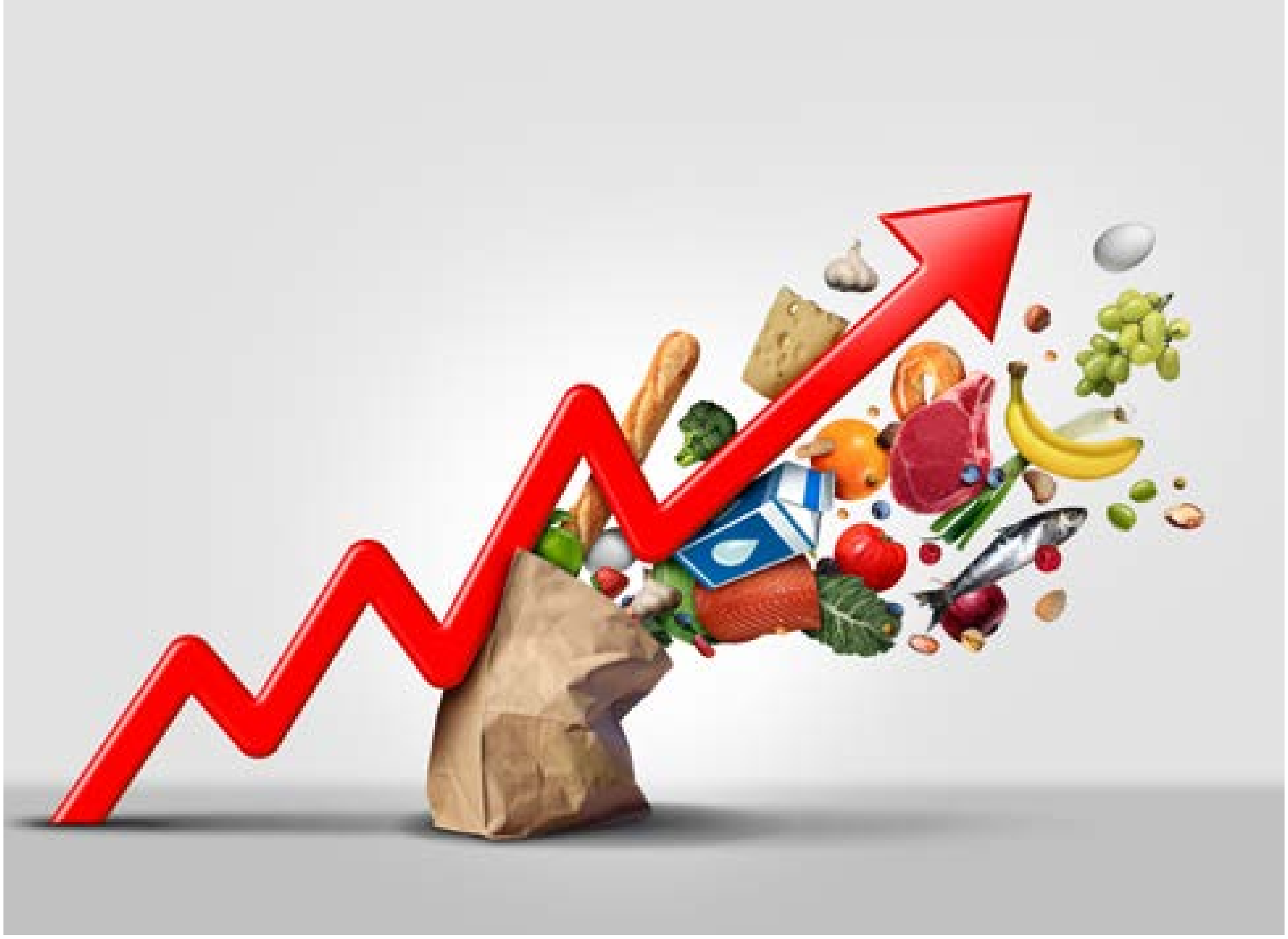


Intro

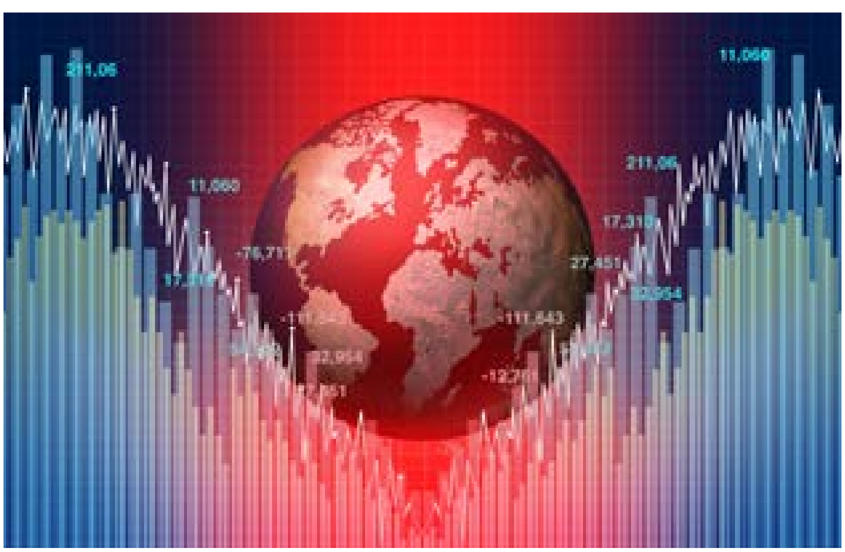
Lots of consumers are currently grappling with the challenge of staying float ahead of a recession and making their finances inflation-proof. It isn't easy to stick to your budget and keep your investments safe when the economy seems to be working against you – but it is possible. In this ebook, we'll take a close look at the economic factors that define a recession, explore the causes and features of inflation and share tips and strategies for surviving – and thriving – during times of rapid inflation.

What's a Recession Anyways?

A recession is a widespread economic decline within a designated region that lasts several months or more. When in a recession, the gross domestic product (GDP), or the total value of all goods and services produced in the region, decreases for at least two consecutive quarters. In most recessions, the GDP growth will slow for several quarters before it turns negative.

What's the difference between a recession and a depression?

A depression has similar criteria as a recession, but is more severe. For example, in both a recession and a depression, the unemployment rate rises. However, during the Great Recession of 2008, unemployment peaked at 10%, while during the Great Depression, unemployment levels soared to 25%.



Depressions also last longer than recessions. The Great Depression officially lasted four years, but continued to impact the economy for more than a decade. In contrast, recessions last only about 11 months on average, according to data from the National Bureau of Economic Research (NBER).

How will this recession affect me?

Recession can impact the average consumer in multiple ways.

First, many people are struggling with sudden unemployment or will be facing joblessness in the coming months.

Secondly, the economic uncertainty initially triggered record-low interest rates that sparked a rush to refinance. However, the script has flipped and interest rates have climbed to pre-recession levels, which make large loans unaffordable for many borrowers.

Finally, investments in stocks, bonds and real estate may lose value during a recession. Be prepared for losses, but understand that under most circumstances, it's best to ignore the headlines, stay calm and hold on to your investments until the economy rebounds.

How do I Prepare for a Recession?

Taking steps to improve your financial health ahead of a recession is a responsible and forward-thinking move. Here's how to be in position for weathering a recession.

Take stock of your financial reality

Before you actually make any financial changes, ask yourself these questions:

- Am I making it through the month, meeting all my expenses and putting some money into savings?
- What is my total monthly income?
- What is the total of my monthly expenses?
- What is the total of my outstanding debt?
- How much money do I have in savings?
- How much liquid funds do I have?
- Do I have any major and/or expensive life events coming up in the next year, such as a wedding, the birth of a baby or a household move?

Build up your emergency fund

If you don't already have a well-padded emergency fund, now's the time to work on building one up. Ideally, an emergency fund should

have enough funds to keep you afloat through three to six months without any income.

Having this money set aside in case of an emergency, or unexpected financial stress, can help you avoid getting tangled up in a cycle of debt or even losing your home or car. Pinch pennies wherever you can to get that fund recession-ready. It may be challenging now, but the security of having money safely tucked away to get you through difficult financial times will be more than worth the struggle.

Diversify your investments

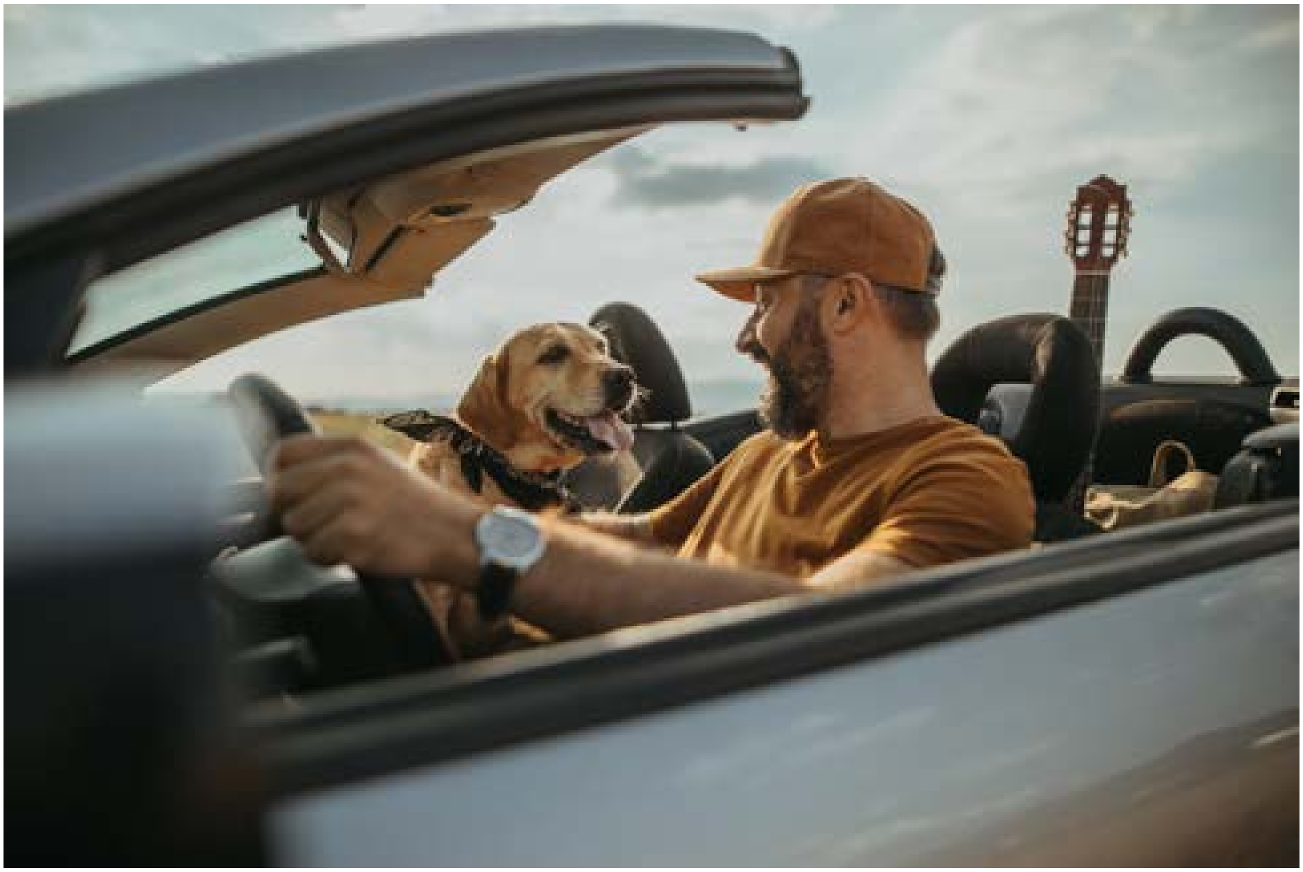
With stock market fluctuations expected to be more extreme and more frequent during a recession, it's crucial to keep your investments diversified. Make sure your investments are not all tied up in one asset or asset class so a poor-performing investment won't bring down your entire portfolio. Mutual funds and index funds both provide a great way to keep your portfolio diversified.

Get rid of high-interest debt

It's never a good idea to hold onto high-interest debt. In a rising-rate environment, such as that of a recession, this monthly bill can increase significantly. If you have one or more outstanding credit card balances, work on consolidating the debt by moving the balance to a personal/unsecured loan. You can also transfer the debt to a new credit card that features no interest, or a low interest rate. Just be aware that many of these deals are limited-time promotional offers. When the introductory period ends, you'll be hit with interest rates that may be even higher than the rate you are paying now (so be prepared to transfer again if you don't pay it off in full before that intro period ends).

Stick to a budget

This is the perfect time to flex those budgeting muscles! If you tend to blow your budget and overspend in various categories, work on learning to stick to your budget. Revise your budget as necessary and avoid temptation to unnecessarily spend by keeping clear of stores and areas where you typically overspend. You may also try shopping with only the cash you need to make your intended purchases. Training yourself to live within your means is one of the best ways to improve your financial health ahead of a recession.



Look for ways to increase your income

Did you know that the average millionaire has seven sources of income? You don't have to go that far, but establishing additional income streams can be a great way to prepare for a possible recession. Consider starting a side hustle that plays to your strengths, moonlighting for a company, like Uber and/or finding a passive income stream, like a real estate investment.

Is Inflation Here to Stay?

The rising prices that are currently present in just about every sector is hardly surprising news at this point. The inflation rate fell at the start of the coronavirus pandemic as the nationwide lockdown had people hunkering down in their homes. In March 2021, though, when the impact of halted manufacturing began hitting the market and crude oil prices started climbing, the inflation rate increased to 2.6% and continued climbing until it hit its peak of 9.1% in June, 2022. Since then, it has stabilized somewhat, but is still high enough for consumers to feel it in their wallets.

Unfortunately for the average consumer who's struggling to cover expenses amid rising costs, inflation isn't going anywhere soon.

Why are prices so high?

There are several factors contributing to the inflation bubble, most of which can be directly linked to the coronavirus pandemic more than three years after its inception.

First, factory shutdowns at

the start of the pandemic have suppliers still trying to catch up on production shortages that resulted. Supply chain disruptions affect more than just consumers. Lots of manufacturers, like automakers, depend on other suppliers for the materials they need to continue production, further limiting supply. As always, short supply, combined with strong demand, brings prices up.

Second, climate change is responsible for driving up prices, particularly in the food industry. Wildfires that devastated close to 2.5 million acres in California, a record-breaking drought in Brazil that came on the heels of a severe frost and dry weather in the Dakotas have all contributed to rising prices for commodities like sugar, soy, coffee and more. This, in turn, forces restaurants and fast-food chains to increase their prices as well.

Another factor contributing to rising prices in nearly every sector of the economy is the demand for higher wages across the nation. With 9.8 million job openings in the U.S. at the most recent count, competent workers know they are highly valuable to their employers. The rising cost of living also means employees need a higher salary just to survive. Of course, businesses need to pass on this rising cost to their customers and clients.

Finally, as always, the price of fuel impacts every part of the economy. With gas prices trending upward along with crude oil prices, the cost of everyday goods, luxury items and shipping will likely continue to rise.

How do I Adjust my Budget for Inflation?

With inflation still high, many Americans are finding it difficult to stick to a budget. After all, when groceries have leapt in price and household staples can be double, or even triple, what they cost just a year ago, how can the same amount of money get you through the month?

Sticking to a budget during times of high inflation is challenging – but not impossible. Here are five ways to budget while in times of inflation.

1. Plan your grocery purchases

Groceries can take a huge bite out of a monthly budget. Fortunately, there are ways to trim your grocery bill, even when prices are soaring.

First, shop your pantry and fridge before hitting the store. You may not remember exactly what you have at home, and doing a quick scan of your food items can help you stick to purchasing only what you need.

Next, plan your week's

dinner menu before shopping so you can buy exactly what you need for the week in just one go. The fewer trips you make to the grocery, the less you'll spend on impulse buys. Also, when you have the ingredients you need, and plans in place for dinner each night of the week, you'll be less likely to make a last-minute decision to indulge in take-out or fast food.

Also, consider joining a club store. You'll need to spring for a membership, but you'll enjoy steep savings on groceries and other products. Just be careful to only buy what you need or will use before it goes bad, no matter how cheap an item might be.

Finally, don't forget to shop sales and to couponize. Use apps like Reebee, Checkout 51, Flipp and Grocery IQ to stay in the know of what's on sale in each store, and to download coupons for even bigger savings.

2. Consider an energy audit

With winter approaching, and the cost of energy sources still climbing, this can be a good time to have an energy audit performed on your home. An audit will help identify energy drains around your home, such as air leaks near your windows and doors. Armed with this awareness, you can fix them to make your home more energy-efficient. You can also take additional measures toward saving on energy costs, such as switching all lightbulbs to LED bulbs, unplugging electronics when not in use and setting your thermostat a little lower during winter, and a bit higher during summer.

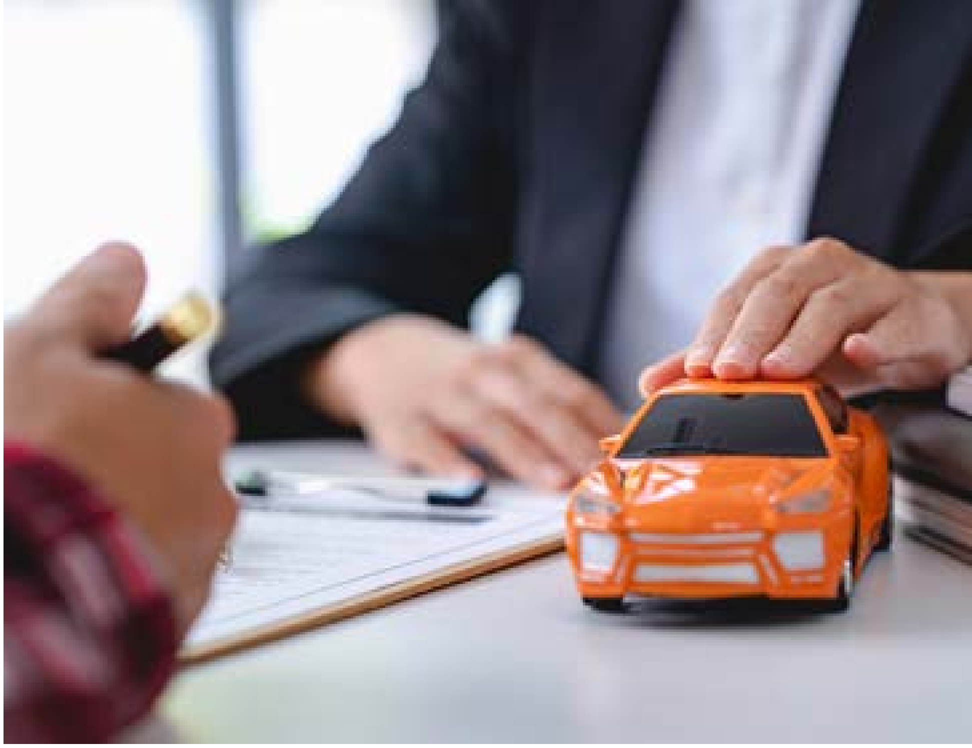
3. Choose your indulgence

Everyone needs to treat themselves to something special every now and then, but with costs rising on restaurant meals, movie tickets and clothing, something's gotta give. Take a closer look at your just-for-me purchases of the last few months, and try to narrow them down to just one or two treats. You can swap them with an enjoyable activity that doesn't cost much, such as a hike or bike ride, or cut them out completely.

Alternatively, you can find ways to trim the cost of your indulgences. For example, if you love dining out, but restaurant meals are destroying your budget, you can decide to eat out but skip the desserts and wines, or opt for a midday meal so you can take advantage of lunchtime specials.

4. Switch your auto insurance plan

If you've had your auto insurance policy for a while, and you've maintained a good driving record during that time, there's a good chance you can save a bundle by switching to a new insurance plan and/or provider. Reach out to a representative at your current insurer to discuss your options. Ask about raising your deductible in exchange for a lower premium, reducing overall coverage or negotiating for a safe driving discount. After obtaining a quote, call several other providers to get competing quotes. You can choose to go with your lowest offer, or call back your present provider to ask them to match it for your continued business.



5. Pad your income

As always, when income doesn't meet expenses, you have the choice of trimming expenses or boosting your income – or you can do both! In addition to following the cost-cutting tips outlined here, you can also look for ways to increase your income.

If your paycheck is suddenly not enough to support your lifestyle, consider asking for a raise. Your workplace may have already given you a cost-of-living raise to reflect rising inflation last year, but this may prove to be insufficient since costs have continued to rise. Don't be afraid to ask for another raise at this time.

In addition, you can look for other ways to pad your income. Find a side hustle, like driving for a ride-share company or consulting for hire, which you can do at your leisure on weekends. Ask your workplace about taking on additional projects on an as-needed basis for additional pay. Open a small service business doing something you love and excel at. Every extra dollar earned counts!

Times are hard for the average American consumer, but with careful planning, you can ride out the record-high inflation rates and keep your budget intact. Use the tips shared here to get started.

How to Insulate Your Investments Against Inflation

There's not much you can do about the rising cost of goods, but as an investor, there are steps you can take to protect your portfolio. Here are five ways to insulate yourself against inflation.

1. Invest in gold

Gold has always been considered a hedge against inflation. When currencies across the world are losing value or fluctuating in value, gold is a constant — a real, physical asset that will always have value.

It's important to note, though, that gold is not a perfect hedge against inflation. When the inflation rate increases, the national interest rate tends to follow suit. Investing in gold instead of an asset that can yield

interest can mean missing out on higher dividends during a time of inflation. Your best course of action in times of inflation is likely to diversify your portfolio with some shares in gold rather than going all in on it.

2. Reconsider the bonds in your portfolio

Asset prices often rise during inflationary environments. Unfortunately, though, when interest rates rise, the value of bonds can decrease. This means that bonds in your portfolio can be a dead weight when rates are going up. Under these circumstances, it can be wise to consider a nonconventional approach toward balancing your portfolio and decreasing bond allocation for better returns.

You may also want to think about buying more aggressive types of bonds right now, such as high-yield bonds and emerging market bonds. These will offer more protection against future inflation since they provide higher incomes. They do come with a higher credit risk, though, so proceed with caution.

3. Consider TIPS

Another step to consider taking with bonds is to focus on Treasury Inflation Protected Securities, or TIPS. TIPS are government-backed bonds issued by the United States Treasury with an inflation protection component. As government-issued securities, there's no risk of these bonds defaulting. In addition, TIPS have an inflation rider that automatically adjusts the value of your principal along with the Consumer Price Index (CPI). Keep in mind, though, that if interest rates rise, the value of TIPS will fall like any other bond. However, they can still be a valuable addition to your portfolio during an inflationary environment.

4. Include stocks in your portfolio

If you don't already do so, have some stocks in your portfolio during a time of rising inflation. Stocks can offer a hedge against inflation in two ways:

- Stocks pay dividends. Dividends get issued as the company profits. In contrast, bonds pay a fixed amount, which means they are essentially paying less when the value of the dollar falls.
- Stocks provide growth. Over time, the market tends to grow. Consequently, a broadly diversified portfolio generally moves higher over a prolonged period of time. Growth offers a cushion against inflation by providing you with the funds you need for maintaining your standard of living even when the inflation rate increases.

5. Real estate

The real estate market has experienced an explosion since the coronavirus pandemic and can be a great hedge against inflation for the savvy investor. Of course, you will need to have a large amount of cash and the resources for managing a property to invest in real estate. However, if you can swing it, adding real estate to your portfolio can help increase your cash flow when the cost of living rises due to inflation.

If you're hesitant to invest in a physical property, consider owning publicly traded securities instead, or a real estate investment trust (REIT). Modeled after mutual funds, a REIT is a company that owns, operates or finances income-generating real estate for investors.

The rising inflation rate can make investors fear for the security of their portfolio, but there are proactive steps investors can take to insulate their investments against inflation. Follow the tips outlined here to help keep your portfolio safe during a rising inflationary environment.

Outro

Inflation has become the new buzzword for financial stress and budget-busting, but you can ride it out like a pro! Use the tips outlined here to stay ahead before and throughout a recession and keep your finances afloat during times of inflation.