

Financial Preparedness: Are You Prepared Enough?

Even in the midst of our current strong, growing economy, there are doomsayers who are forecasting a financial collapse.

Their prophecies of pending financial disaster aren't without reason, either; as many of the underlying problems that could lead to financial catastrophe are still there, especially the huge national debt we are carrying. So this is one disaster scenario that we shouldn't ever ignore.

But the biggest problem isn't that we ignore the potential of a financial collapse, it's that we have an unrealistic idea of what it is. More often than not, people talk about a financial collapse as if it were a total and complete collapse of society. Yet, while that might be partially true, it's also very wrong.

The Great Recession of 2008 gives us some first-hand insight into what a financial collapse would look like. There were two key things going on then, which happened in both the Great Depression and the Argentinean collapse of 1999, our best examples of a financial collapse. Those two things were high unemployment and people losing their homes.

The Argentinean collapse added runaway inflation to that; but fortunately we didn't see runaway inflation during the Great Recession or the Great Depression. The economic problems people were dealing with were bad enough, without having to concern themselves with rapidly rising prices on everything they needed.

High unemployment comes about when there aren't enough new jobs created to make up for those which are lost and the addition of more people to the workforce, due to population increases and immigration. To keep the labor force

participation rate the same, our economy needs to add roughly 1.27% of new jobs annually. On a base of 132 million jobs, that works out to over 1.6 million new jobs per year or roughly 140,000 new jobs per month.

If that doesn't happen, we're heading into trouble; a very real trouble that people feel in their wallets and their lives. People will be losing their jobs through layoffs, force reductions or businesses shutting down, faster than those people will be able to find jobs. If it gets bad enough, they will be losing their homes, cars and other possessions as well.

The question that faces us is, what can you and I do to ensure that we're not some of the ones who are losing in such a situation.

Are You Prepared Enough?

Many of us include a financial collapse as one of the scenarios we are preparing for. However, that doesn't necessarily mean that we are doing special preps for a financial collapse. Rather, it means that we recognize the potential and try to make sure that our preps will take care of us in that circumstance, just like others.

More than anything, we see financial collapse as a potential cause of social unrest and violence, with hungry gangs attacking homes to get their food. This makes sense, as it actually happened in Argentina. Their financial collapse caused a direct increase in violent crime, including home invasions.

The other thing we do, which can be specifically attributed to preparing for a financial collapse, is to stockpile barter goods. Due to the high inflation rate, bartering replaced cash for many transactions during the Argentinean collapse. Bartering co-ops became commonplace. This was especially true

for food and other daily necessities.

But the question we need to ask ourselves here, is are we preparing for a long enough time? The Argentinean collapse lasted for three years. Our Great Depression took up most of a decade. If we're stockpiling for a few months or a year, we'll eventually be in the same shape everyone else is in.

Be Ready to Produce Your Own

There is no practical way to stockpile enough food to last you through a long-term financial crisis. Even trying to stockpile a year's worth of groceries is a challenge. If you try and make that three or more, you're going to run into both space and money problems, making it hard to fulfill that goal.

This is part of why so many preppers are working on becoming self-sustaining, growing their own food. As far as the various crisis scenarios go, a financial collapse is one where you will see the greatest benefit from this. In Argentina, the biggest shortages and highest inflation was for food. This prompted people to start the bartering co-ops I mentioned earlier, with the majority of the bartering being of common food items.

Debt is Your Enemy

But our stockpile isn't our biggest concern, when it comes to a financial collapse. Looking at things realistically, our biggest concern has to be debt. We live in a society that is addicted to debt, with most people owing money on their home, cars, credit cards and even more. When money gets tight, it becomes hard to pay all those debts.

There are a lot of people I've run across, who seem to have the idea that if there is a major catastrophe, like a financial collapse, they won't have to make the payments on their home. About the only way that I can say that would be

true, is if the catastrophe disables the bank's computers, so that they can't tell how much you owe. Otherwise, you can be sure that the bank will expect you to make your regular monthly payments.

People don't lose their homes and cars because they lose their jobs, they lose them because they can't afford to make the payments. Of course, losing your job is an almost guaranteed way of ensuring that you can't make the payments, unless you happen to have money stashed away somewhere.

Having a lot of debt makes us vulnerable to the vagrancies of the economy. While we don't typically wake up in the morning thinking, "Today is the day I'm going to lose my job," that possibility always exists. Even jobs which normally have high levels of security can disappear overnight. During the 2008 recession, one of the school districts in my area laid off 100 teachers; and teaching is supposedly one of the most secure jobs you can find.

There are others who can tell you more about debt reduction strategies than I can, so I'm not going to try. But there are three key points that I do want to mention:

- **Stop buying on credit** – If you can't afford it, then wait to buy it until you can. I've lived the last 30 plus years without credit, and it wasn't because I didn't need it. For the majority of that time, I barely had enough to pay the bills. But the only thing I've bought on credit during that time is my home.
- **Prioritize your debt reduction** – Most debt reduction programs I've seen focus on paying off small debts first and leaving your home for last. While this make sense from their point of view, it doesn't make sense from a survival point of view, especially surviving a financial collapse. Rather, the most important you probably have debt on is your home. if you pay that off, they can't take it away from you.

- **Downsize** – One of the best strategies I've ever heard of, for getting out of debt, is to downsize. Do you really need as big a house as you have? Do you need to drive such expensive cars? What else are you paying for, which you don't really need? Only *you* can answer those questions.

When a financial collapse does finally come along, whenever that might be, being out of debt could very well be the thing that saves you. Just being able to keep your home will put you way ahead of most people.

Savings

The cousin of debt reduction is savings. Any financial advisor will tell you that you should have enough in the bank to cover three months worth of expenses. That way, if you lose your job, you'll have something to use, while looking for another one. This is a hard goal to meet, but worthwhile.

However, you're actually better off eliminating your debt, than saving money. Money in a savings account is only going to gain a percentage point or two in interest per year. But those credit cards you're carrying in your wallet can have interest rates from 18% all the way up to over 40%. Getting rid of that high-interest debt is actually more advantageous to your overall financial well-being than just about anything else you can do.

Diversify Your Income

Another important factor in providing your family with financial security during a financial collapse is to diversify your income. The days when anyone could count on a single income source have gone by the wayside. In today's economy, most of us need a little extra to make ends meet. This may as well come from a sideline business of some sort, rather than from asking your boss for a raise.

There is a local couple here who are both dentists and opened a dental office together. While being a dentist pays well and chances are that they will do fine, they have set themselves up to have all their financial eggs in one basket. If one of them does poorly on the job, they both do. There is absolutely no diversity in their income.

On the other hand, my wife and I own five small businesses, between the two of us. While none of those businesses have grown to the point where they can support us alone, if one business does poorly in a particular month, another one of them usually does well. The constant ebb and flow of these businesses has always managed to ensure that we are receiving enough income to pay the bills, without it being a struggle. Granted, the dentists make much more money than we do, but we have enough for our needs.

Internet

It is easier today to start a business, than ever before, especially with the opportunities the internet offers. While your business may not bring in enough to drop your day job, it can help provide an added element of financial stability to your family. In the event of a collapse, it could keep you eating.

The easiest way to start an online business, is selling something on eBay. But that is not, by any means, the only option you have. People make millions of dollars per year through YouTube channels. There's also the more traditional money-maker of blogging.

Repair

While the internet is a great source of added income, it isn't the only one. One of the best categories of businesses to own during a financial collapse is repair businesses. When money is tight, people turn to having their broken possessions

repaired, rather than replacing them. So, whether we're talking about being a shade-tree mechanic or fixing cell phones, repair businesses will not only survive, but flourish during any financial collapse.

Food

Another extremely strong type of business to own during a financial collapse is anything which is selling or serving food. Regardless of what is going on, people need to eat, and most will still go out to eat, even when money is tight. The trick here is to have something unique, low cost and high quality. People want to enjoy what they are eating and they are much more likely to enjoy food that is well-prepared, than something that is slopped together.