

WHAT THE *Pandemic* CAN TEACH YOU ABOUT YOUR *Finances*

The COVID-19 pandemic upended the world and the financial markets were no exception. It made many of us reevaluate our spending habits and take stock of our savings. The experience has offered some lessons that can improve your money management long after life goes back to normal. Here are four financial takeaways from the pandemic.

Four financial lessons from the COVID-19 pandemic

1. KEEP AN EMERGENCY FUND

The pandemic caused a surge in unemployment, from 6.2 million in February 2020 to 20.5 million by May. If there is one thing we can learn from this, is that you truly cannot predict the unexpected, and you should always have emergency savings. An emergency fund is a pot of money you set aside for unforeseen events that can act as a safety net in case you lose your job or face a big medical expense. Most experts say it should cover approximately three to six months of your expenses, although a year is ideal.

2. STAY DIVERSIFIED

You should never put all of your money into one investment. Staying diversified can help you hedge against risk. For example, if you had put all of your money into airline stocks, you would have been in big trouble once the pandemic grounded almost all flights. By investing your money into different types of stocks, you'll avoid big losses if a certain segment of the market tanks.

3. DON'T WAIT TO PAY OFF DEBT

High-interest debt, such as credit card debt, can curtail your ability to save. And if you lose your job while mired in debt, your finances can quickly spiral out of control. Focus on finding the best debt consolidation loan for your financial situation and pay off your debt while your economic situation is stable. That way, you won't be stressed about paying for necessities like groceries if money gets tight. Plus, the quicker you can pay off your debt, the sooner you'll be able to save for important things like an emergency fund (see above) or a retirement account.

4. SPEND MINDFULLY

Quarantine taught many of us that we don't need to spend nearly as much as we thought. Splurges like vacations and fancy dinners are nice but not necessary. Cutting back on discretionary spending and just paying for the essentials can allow you to save more and stay out of debt.

Tips for responsible spending

Here are a few suggestions for how to spend responsibly:

1. Create a budget: Make a monthly budget for yourself that will allow you to pay for the necessities without breaking the bank.
2. Stop impulsive purchases: It can be easy to impulsively shop online. Try to stop and think, "Is this purchase necessary?" before you click buy.
3. Look for savings: Always take the extra time to look for promo codes or purchase items off-season (i.e., parkas are usually on sale in July). However, never buy an item just because it's on sale.

For additional information on how to make financial decisions simple, please visit www.credello.com.