



RECESSION-PROOF YOUR LIFE

We keep hearing the word recession but do we really know what it means & more importantly what it means to us? Adrian offers an explanation and provides some tips to help us out.

Yes times are tough, our economy is slowing down and other countries have announced that they are in recession. But what does it all mean to us and what should we do?

What is a recession?

We have been hearing the term “recession” alot in recent times, but not many people actually know what it really means.

Basically an economy is in recession when it records negative growth on an **annual** basis for two consecutive quarters. It is important to note that I highlighted the word “annual” because whilst a country may record negative growth over a three month period, it may still be positive when compared to a year earlier.

In Australia we use the Gross Domestic Product (GDP) to calculate growth and last quarter it recorded a growth rate of 1.9%. Our GDP has been growing steadily for awhile now and we have had only one negative quarter since 1997.

Recessions are rare and Australia has only been in recession 4 times in the last 50 years (1961, 1974, 1982 and 1990).

So are we in a recession?

No Australia is not in a recession. The GDP last quarter still showed that we are growing. Yes it was down from 2.7% the previous quarter but it can't be expected to always rise. So for Australia to be officially in a recession we have to wait another 6 months to find out.

It has really irked me when a lot of the “so-called” experts have been putting the fear of God to the public and even mention the word depression (which can only occur after a prolonged period of recession) whilst the country is still growing.

The Government have shown strong leadership recently by guaranteeing bank deposits and also introducing two stimulus' packages totaling \$52 billion to help out

the community. The Reserve Bank have also help ease things by reducing interest rates by 4% much to everyone's relief.

What would a recession mean to you?

But whether we enter into a recession or not is purely academic though as we will all be feeling the pinch as the economy slows down.

The biggest risk that you will have in this environment is losing your job.

When big businesses collapse it can cause a domino effect with its suppliers and customers as well.

With people also tightening their budgets, there is not as much discretionary spending and the turnover of some businesses will also slump and the owners will be forced to "trim the fat" as well.

The key is to try and protect your income as much as possible. It is important that you don't position yourself as one of the employees that your boss looks at when they need to cut costs. Whether you make yourself an integral part of the team that they simply can't lose or you obtain more skills, the key is to ensure that you maintain your income to help pay the bills.

It is also dreadfully important to budget and save. If you haven't already done this so, ensure that you write up a budget and cut out the excess costs as much as possible and put against debt.

GOLDEN RULES TO RECESSION-PROOF YOUR LIFE

- **Use Excel Budget Templates** – Now is a time more than ever to write up a budget for the household. Excel has some great easy to use templates to get you started. Simply type "budget" in the Help menu.
- **Don't change jobs** – when things get tough for a business it is usually the last person in that is the first person out. Gen Y are now officially on notice.
- **Save for a rainy day** – make no mistake there are some dark clouds in the air, so a few extra dollars saved today may become valuable tomorrow
- **Pay extra off the home loan** – with the RBA providing relief on interest rates, now is a good time to maintain the same repayment levels and reduce your debt to get ahead
- **Invest in yourself** – by doing some extra studies at TAFE or uni, you are gaining more skills and turning a job into a career and increasing your income-producing opportunities

- **Live within your means** – don't worry what the Jones' have next door. Going beyond your means may spell trouble down the track if things get harder.
- **Make yourself invaluable at work** – what business owner would be silly enough to get rid of an integral part of their team when they are trimming the "fat" from their own business?
- **Keep your life insurances** – it may seem easy to stop your insurance cover to help with your savings plan, but people generally getting sicker during stressful times
- **Cut out the excesses** – think back to when your parents were your age and what they didn't have. Do you really need all the trimmings associated with modern day life?
- **Enter into running a marathon** – sounds strange but my period of greatest savings is when I have trained for a marathon. Easiest way to stop alcohol and fatty food costs. Plus you can fit into "that dress" again!