

Recession

Business



Recession refers to the time of broad economic deterioration. A recession is characteristically exhibited by a decline in the stock market, drop in the housing market and increased unemployment rate. It is usually regarded as less harsh than a depression, although when it persists for a longer time, it is then considered a depression. There is no specific cause of recession, though most of the time the blame falls on the national leadership of a country: the President, the head of Federal Reserve, or the whole administration. The ultimate aim of this paper is to examine the strategies that can be employed in order to survive a recession.

Steps to Be Adopted There are certain steps that can be undertaken to get a person ready for possibly hard financial times. The three major steps are: 1. Income 2. Expenses 3. Savings and Investing However, before looking at these steps, it is important to note that despite the difficult times, one has to be strong – there should be no panic. **Protect Income** The first step to undertake to protect one's income is to protect one's job.

Every individual in a recession should know that maintaining his or her jobs is the first priority because it can help him or her come out of the recession easily. This may mean devoting some extra hours, working harder than usual and perking up the working skills. This can only occur when there is no panic. Secondly, an individual has to be ready for dismissals. Despite the fact that a person can do everything to maintain their jobs, a number of suspensions are predictable.

It does not matter how secure a person thinks his or her job is, everyone must be ready for the unthinkable. Lastly, an individual should be

determined to earn extra money. Having a second or extra income has several benefits. The most interesting part of it is that it goes right to the outcome. If an individual requires \$5,000 a month to survive, even \$1,000 a month in extra income lengthens the emergency fund by about 20 percent.

That helps to recover faster from a recession. **Reduce Expenses** In order for an individual to reduce expenses, he or she has to evaluate his/her mortgage. One of the major benefits of the present financial disaster is that interest rates are minimal. In 70s and 80s, people used to suffer a lot during recessions because interest rates had double-digit price rises and interest rates. Nowadays the rates are low, and it is easy to refinance a permanent rate loan.

Besides, an individual has to refinance high interest credit cards in order to move the balances over to a low interest credit card or a 0 percent APR balance transfer card. Lastly, there is the need to reduce spending. This is clear, but it is very essential to discover that there are several means to cut spending. For example, if an individual usually takes five drinks after work, take only two. If he or she normally takes two, take one. If a person uses a high-speed internet, he or she may use low speed internet and save about 10 percent.

These techniques are very significant and help an individual recover from recession faster. **Saving and Investing** Saving for retirement is essential, and a person does not need to stop saving during the recession, because it is difficult to pick up and continue saving after the recession. Therefore, one has to persevere and go on with the saving no matter the situation.

Secondly, one has to rethink of his or her emergency fund. This is much helpful, especially in helping an individual to recover. However, a person has to take the emergency fund after calculating the required amount according to the needs and family size.

Lastly, a person should not depend on a home equity line of credit. A person may have an existing credit on home equity but he or she should be alert that the bank could get rid of that credit. Therefore, an individual has to find out the Home Equity Line Agreement in order to realize the value of his/her home, his/her financial situation changes that the bank can minimize and the amount of the existing credit. This is very critical.