

Three Ways to Help Build Financial Resilience



Roller-coaster markets, global events, and unexpected life changes can catch you off guard. Little wonder that you might worry about the potential effects on your financial well-being. Fortunately, you can take steps to build the resilience you need to help handle challenging times and hopefully emerge even stronger.

Fortify your foundation

Developing a new budget or reviewing an existing one may help reduce stress and feelings of vulnerability by reminding you that you still have control over many aspects of your personal finances. A budget is a foundational tool that outlines your income and expenses and shows how much money you have coming in compared to how much money you have going out. If you find that you are spending more than you realized, you can make adjustments.

An important companion to a budget is an emergency fund. When you have an unexpected expense, you can use your emergency reserves to cover it instead of dipping into long-term savings or racking up costly credit card debt that could throw your budget off track at a time you can least afford it. Consider starting an emergency fund and building it up over time. Having some short-term savings might also help you get through difficult economic times.

Stress-test your portfolio

When you're investing for retirement or another financial goal, assessing the potential impact of various scenarios may help you prepare for and manage the financial impact of unexpected events. This could be done using computer simulations to analyze how your portfolio might perform. Doing this at regular intervals may help take some of the emotion out of decision-making during stressful times, helping you address gaps and opportunities.

There is no assurance that a simulation will be accurate. Because of the many variables involved, you should not rely on simulations without realizing their limitations. All investing involves risk, and there is no assurance that any financial strategy will be successful.

Anticipate future challenges

Of course, you're never going to be prepared for every financial scenario. But developing a written financial strategy and reviewing it periodically may help you thoughtfully navigate life's twists and turns. It documents and organizes the pieces of your financial picture, helping you stay focused on the future as you weather current storms.

Building financial resilience is an ongoing process, and it's never too late to start. Becoming better positioned for downturns can help you feel more confident that you can handle whatever challenges come your way.

IMPORTANT DISCLOSURES

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