

in the know

financial flexibility

With a new year well underway, many people anticipate the cost of living and inflation to pose significant financial challenges in 2024. Despite experts suggesting that interest rates might be at their peak, effective money management becomes crucial when facing uncertain economic conditions. Whether you're a homeowner, investor or someone with financial responsibilities, there are opportunities to build financial confidence, and the Financial Consumer Agency offers these ideas while navigating changing economic dynamics.

Review Your Budget

Fluctuating interest rates often lead to increased costs for borrowing, making it crucial to allocate your funds wisely. Start by revisiting your budget to identify areas where you can trim discretionary spending and focus on essentials to maintain financial stability.

Reevaluate Debt Management

When interest rates rise, it's prudent to reassess your debt situation. If you have variable-rate loans, such as adjustable-rate mortgages or variable-rate credit cards, anticipate potential increases in monthly payments. Assess the impact on your budget, consider refinancing to lock in lower rates and explore debt consolidation options to streamline payments.

Explore Fixed-Rate Investments

As interest rates climb, shift some of your investments toward fixed-rate instruments. Fixed-rate bonds and certificates of deposit can provide a more predictable return

than variable-rate investments. Diversify your portfolio to balance risk and explore investment options that align with your financial goals.

Consider Income-Boosting Opportunities

The foresight of having an emergency fund never seems more crucial than in times of economic uncertainty. To build an emergency fund or improve your financial position, consider additional income streams to bolster your financial position, like freelancing, part-time work or leveraging your skills for side projects to increase your income to help you pay down debt. This may help you cover higher loan payments to avoid penalties.

The Financial Consumer Agency suggests these additional tips.

- Pay down the debt with the highest interest rate first. This may allow you to pay less interest over the term of your loan.
- Avoid getting the maximum mortgage or line of credit that a lender offers you.
- Avoid borrowing more money as it could limit your ability to save for your goals.
- Avoid taking on unnecessary debt with things you want but don't need.

By proactively managing your finances and making wise, informed decisions, you can confidently navigate shifting financial terrain. Examine your spending, make the most of your debt management plan and diversify your assets to create a resilient financial base. With careful planning and adaptability, you can position yourself for financial success in any economic climate.

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