

## **How to Fix Your Personal Economy**

Another election year is upon us and with it, the ubiquitous mention of balancing budgets. To hear the media and talking heads tell it, balancing a budget is the easiest thing in the world to do, which is why every elected official, it seems, never gets around to actually doing it.

But you're smarter than the average politician, and by following these few simple tips, you can take control of your finances and fix your own personal economy.

### **Reduce the Debt**

Your first step to economic stability needs to be a reduction of your debt. In medical terms, this is like stopping the bleeding and getting the vital signs stabilized before taking the patient in for exploratory surgery.

If you have a lot of credit card debt, you're not alone. According to a report on consumer credit by the Federal Reserve, as of December 2011, consumer debt in the US was \$2.5 Trillion. That's trillion with a "T."

If you fit into this statistic, stop using credit cards to pay for things. If you don't have the cash to purchase something, do not purchase it. This may seem a very foreign concept to you as it does many people in this country who have been brought up on plastic. But think about it: The extra money you're paying toward interest each month won't make a dent if you continue to incur new debts.

Once you pay down your credit card debt, you can use the extra money you'll have every month to pay down other debt, such as car and student loans.

Another debt reduction idea: Shop around for lower insurance policies. Whether it's auto, homeowner's or health insurance, it's a great idea to take some time and shop around for a more affordable plan. If you currently like your insurance company, call them up and see if they can do better for you. Do they have any discounts or special packages that will save you money? Not wanting to lose business, often these companies will be willing to work with you. Lowering your insurance policies can save you hundreds of dollars a year.

### **Stimulate Your Economy**

Once you've reduced your debt and stopped your economic bleeding, it's time to stimulate your economy and create new cash flows.

One obvious way to do this is to improve your value to your current employer. Make sure they see you as someone who can move up the ladder. This means taking on new responsibilities at work such as training new hires and organizing team projects. In other words, become a leader.

Another way to stimulate your personal economy is to start your own small business. You might think doing so in an economic downturn is a bad idea, but it's actually a fantastic one. The internet has

opened up new possibilities for you and made it possible to turn a hobby into a business that can bring in a little or a lot more cash flow each month.

Along those lines, if you're someone who blogs for the fun of it, consider monetizing your blog. The addition of AdSense ads or an affiliate product to your blog is an easy way to monetize the traffic you already have. This little extra can help pay a utility bill or be put into your emergency fund. You do have an emergency fund, don't you?

## **Fiscal Responsibility**

No one said getting out of debt was going to be fun, so you're going to have to come up with more creative (and cheaper) ways of having it. In the past you may not have blinked at the thought of going out to dinner and a movie - *and* purchasing popcorn and soda – but you will now have to create a budget for this discretionary spending.

Establish a realistic monthly allotment for entertainment expenses and stick with it. If popping your own corn at home while watching a movie on cable (that you're already paying for) is a cheaper option, and it is, then this is what you will have to do for awhile.

But fear not, there are a few silver linings to buckling down like this in an effort to fix your economy. One is, by becoming more creative with how you spend – or don't spend – your money, you will more often than not become closer to your family. What may start off as a "forced" game night at home can end up creating wonderful memories and becoming a new weekly tradition.

Another positive is this debt will not last forever and you will one day taste financial freedom again. And when you do, you will have set some very good financial habits in place that will ensure you don't ever wind up in debt again.