consumer action

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On the Rebound:
Post-recession Tips for Fostering Your Personal Economic Recovery

Our country's most recent recession had far-reaching consequences, and many Americans are still feeling the effects of the economic crisis today. Others were better able to weather the storm, and some even came through with better financial habits and stronger money management skills than they had before. But while consumers now are generally more optimistic about their personal finances, it is important they not lose focus on maintaining mindful spending and borrowing habits as economic conditions continue to improve.

Recently, Chase Blueprint® and the Aite Group partnered to find out how U.S. consumers have met the challenges of the recession. The survey findings help shed light on how consumers emerged from a serious financial crisis and how they can meet future challenges.

Below are the key takeaways from this survey, along with actionable tips from **Consumer Action** that consumers can begin using today to maintain or improve their financial situation.

1. **It's never too early to start taking control of your financial future.**
   The survey found that nearly 40% of people classified in Generation Y said their financial health has improved since the recession, but approximately a quarter has seen a decline. Meanwhile, half of Gen Xers experienced no change in their financial health, but 22% suffered a decline. As soon as possible, young individuals should take steps to fortify their financial health and create a long-term strategy to build credit.

   Tip: *Having good credit is essential for a bright financial future, and can be an important tool for getting through a financial emergency. Young people with the financial means should consider opening a credit card account as a way to build a credit history. Responsible spending and paying your balance in full each month will contribute to a good credit record that can help you when you need it most.*

   Tip: *If you still have one or more outstanding student loans and are having trouble making payments, contact the U.S. Department of Education if you have a federal student loan, and the lender directly if you have a private loan, to discuss affordable repayment options. Learn more about dealing with student loan payment problems from the Consumer Financial Protection Bureau. Beware of emerging student loan "debt relief" businesses that target desperate borrowers by promising payment relief but charging high fees and delivering little, if any, real help.*

   Tip: *Consider finding a financial mentor—someone in your life who has strong, positive financial habits and can help provide guidance and keep you on track.*

2. **It's true that with age comes wisdom, but that doesn't mean you should stop learning.**
   It is not surprising that older generations were less affected by the recession—among seniors (people over the age of 67), roughly three-quarters saw no change in their financial health—but age and experience aren't excuses for letting down your guard when it comes to financial decisions.

   Tip: *While older generations are less likely to face a personal financial crisis, it can happen to anyone. The ability to borrow money in an emergency is one way to keep your head above water until you are back on your feet. Regardless of age, everyone should understand the credit reporting system and do their best to maintain a strong credit record—the key to getting your credit requests approved. Get free copies of your credit reports each year at www.annualcreditreport.com. Review them carefully and follow the instructions to correct inaccurate information. Be sure to carefully review monthly credit statements for mistakes or unauthorized charges.*

   Tip: *Everyone must be on guard against scams, but seniors can sometimes be more vulnerable to fraud. Learn how to protect yourself. Read Consumer Action's materials on elder fraud.*

3. **Remain diligent with your finances, no matter how good things are.**
   Four in 10 consumers are saving more today than they did during the recession because they're spending less. Many are able to do so because they're taking greater advantage of coupons, deals and offers. An increase in financial discipline is also evidenced by growth in the number of consumers who pay off their credit card bill(s) in full each month. The most difficult days of the recession may be over and the stock market may be reaching new highs, but it's important to sustain good financial habits learned during leaner times.

   Tip: *Continue to keep credit cards at zero balances. Not only will you be in a better position to handle any unexpected change in your finances, using credit and then repaying it in full and on time is also good for your credit score.*

   Tip: *For those who have weathered the storm by trimming expenses, avoid "frugality fatigue"—a return to looser pre-recession spending and money management habits. Even though your personal financial situation may be looking brighter, stick with the plan that got you through tough times. (For a shot of inspiration and some money-saving tips, read the "Frugal Issue" of Consumer Action's newsletter.)*

   Tip: *Regularly re-evaluate bills to see if there are expenses you can reduce or do away with altogether. If you haven't done so in a while, shop around for better deals on things like insurance, cable and phone service. Consider prepaid wireless—it's often less of a monthly commitment, and you don't have to worry about bill shock. If you have never done so, track your small daily purchases—coffee, lunch out, lottery tickets, etc. (Use a small notepad, or try out a mobile app.) Make adjustments (coffee at home or work, for example) and put any savings toward paying off debt or building your emergency fund.*

4. **Don't give up hope. There are solutions for those still struggling.**
   While a majority of those surveyed said their financial situation has improved or stayed the same since the recession, 21% said they have experienced a decline in their financial health. For those who are struggling, there are ways to improve your financial situation:

- **Knowledge is power.**
  Not surprisingly, the study found that financial literacy is a determinant of financial health. Among consumers whose financial health declined post-recession, one-third said they are financially illiterate, while only 12% of consumers whose financial health improved or stayed the same rated their financial literacy level that low.

  Tip: *Take advantage of resources. If you have difficulty understanding the terms and conditions of your banking products, make an effort to seek out financial literacy materials like those made available on Consumer Action's website (www.consumer-action.org). You can also visit Chase Blueprint's Mindful Spending Resource Center for useful information on spending and borrowing.*

  Tip: *Set aside 30 minutes per week to improve your financial literacy. Some ways to do that: Subscribe to email newsletters such as Consumer Action News, 360 Degrees of Financial Literacy, FDIC Consumer News, Practical Money Skills for Life, and Success. Attend online or local classes offered by credit counseling agencies and other organizations. Sign up for the Money Smart financial education program offered by the Federal Deposit Insurance Corporation (FDIC). Do an online search for key words on financial topics you want to learn more about. You can also search for "financial tips" to find advice from many sources. Do the same search on YouTube.com for video tips.*

- **Reduce complexity.**
  The research found that many consumers whose financial health improved after the recession see their financial lives as not particularly complex. Financial complexity doesn't stem from owning a lot of financial products. Instead, complexity comes from having to pay large fees on checking accounts, debit cards and credit cards or borrowing from multiple sources.

  Tip: *Make it a priority to reduce or avoid account fees wherever possible. One way to accomplish this is by consolidating your borrowing. Juggling more financial obligations creates more opportunity to miss or be late with payments and incur fees and negative marks on your credit report.*

  Tip: *If you don't already have a checking account, open one. Using check-cashing services, payday loans, money orders and certain prepaid cards can greatly increase the amount of fees you pay. Credit unions often have more lenient requirements and charge lower fees for "basic" checking accounts. (Click this link to find a credit union.) Sign up for direct deposit to have your income go directly into your account. Learn to reconcile your checking account to avoid overdraft fees. Link to a savings account for overdraft protection.*

- **Take advantage of help.**
  Seven in 10 consumers whose financial health improved after the recession, six in 10 consumers whose financial health declined, and half of the consumers whose financial health didn't change used at least one source of financial help. Among consumers whose financial health improved, many rated the quality of the help they received as "very helpful."

  Tip: *There are plenty of publically available financial resources. One source of help that is often overlooked: your bank, credit union or credit card issuer. If you encounter financial problems, don't hesitate to work with your financial institution to see what solutions exist.*

__Tip:__ If you are having trouble staying on top of multiple debt payments and are paying large fees and finance charges, contact a credit counseling agency (NFCC.org or AICCCA.org) for help analyzing your budget, identifying your options and, in some cases, consolidating your payments. (Click here to find out how to choose a reputable credit counseling agency.)

__Tip:__ If you're having money troubles and you can't cut expenses further or earn enough extra income to make ends meet, use Consumer Action's "Financial Empowerment Resource Sheet" to learn about resources that could help you get through hard times. If you don't have access to health insurance through your job (perhaps because you have one or more part-time jobs of 30 hours per week or less), you can apply for insurance coverage and subsidies under the Affordable Care Act starting October 1, for subsidies beginning January 1. Click here for more information.

- **Use technology.**
  Only about one in five consumers—typically those who actively manage their finances—use financial institutions' online personal financial management (PFM) tools. Many of the consumers whose financial health declined post-recession are not actively managing their finances and therefore are not likely to use online PFM tools. If you are someone who has always struggled with your personal finances, find Web-based tools or mobile apps that help you spend and borrow responsibly.

  __Tip:__ Many financial institutions offer PFMs for their customers. Examples include Blueprint (for Chase credit cardholders), My Portfolio (Bank of America) and Virtual Wallet (PNC). There are many independent tools, too. Mint provides real-time money tracking and budgeting. Credit Sesame gives users a free credit score and credit monitoring, and can help you build, or rebuild, your credit history. Read Consumer Action's "Your bottom line, online" article for help narrowing your options.

  __Tip:__ When looking for a loan or credit card, use online tools to compare interest rates, terms and fees. Bankrate.com is one online source of rate information. Consumer Action's survey of credit card comparison websites can help you choose a tool for comparing card options based on your specific criteria.

These personal financial tips are brought to you by **Consumer Action**. Consumer Action empowers low- and moderate-income and limited-English-speaking consumers nationwide to financially prosper through education and advocacy.