

TOGETHER WE ARE STRONGER™



MOMENTUM JULY 2023

2022 saw soaring prices for gas, food, utilities, housing and more. Now in 2023, it's clear that economic uncertainty isn't going away anytime soon. According to a March 2023 survey of economists conducted by Bloomberg¹, there is now a 65% chance that the US economy will enter a recession in the next 12 months.

Economists are expecting a recession sometime in the next year because interest rates are high, credit conditions have been impacted by bank failures, the job market is showing signs of cooling down, and consumer demand is slowing. But there are steps you can take now to be ready for whatever is ahead. If you are worried about how a recession could impact your finances, here are some things you can do to prepare.

Build an emergency savings fund

Experts suggest having an emergency fund that is equal to 3 to 6 months of living expenses for things such as housing, utilities, and food. Those emergency savings can help get you through an unexpected event or a major repair. An emergency savings fund is an especially good idea to have and keep adding to if you're worried about an economic slowdown.

It takes time to accumulate emergency savings, but start with an achievable goal and automate your savings to keep adding to it at regular intervals. After you've reached your initial goal, aim higher and keep saving. Make sure your emergency fund is separate from your other accounts, so you won't be tempted to use it for non-emergencies. Your efforts

will be rewarded when the pipe in your laundry room bursts or you need an emergency car repair, because you'll be prepared to pay cash instead of incurring additional debt with interest.

Learn more by watching the Voya Learn video *Establishing an emergency fund* at voya.com/page/on-demand/spending-and-savings-series-establishing-emergency-fund.

Focus on your spending and saving habits

Knowing how and where you spend your monthly income can help you save more, pay down existing debt, and avoid taking on new debt. If you typically spend more than you earn each month, creating a budget and putting your spending into categories may help create good money habits that you can use for the rest of your life.

People sometimes associate budgeting with limiting or restricting their ability to live and have a little fun. What it can really do, though, is reveal expenses that can be eliminated entirely or identify impulsive spending that can be avoided. If that leaves you with more money at the end of the month, think about what you could do with it and how it might improve your financial situation.

Learn more by watching the Voya Learn video *Creating a budget* at voya.com/page/on-demand/spending-and-savings-series-creating-budget. Then build your own budget and personalize it to your priorities by visiting voya.com/tool/budget-calculator.



Prioritize your debt and make a plan to eliminate it

If you have debt, you're not alone. 80% of Americans² report that they have debt, and it's not necessarily because of poor money management or bad spending habits. So how do you prioritize debt and know which debt to pay first? First, it's important to know the difference between good debt and bad debt. Good debt is a mortgage, small business loan, or educational expense that helps you build and leverage wealth. Bad debt, though, is anything that you use to purchase goods or services that have no lasting value. If you don't have cash to pay for it, that's creating bad debt. Think about that before the next time you use your credit card or make a purchase that you may want but know you can live without.

With bad debt in mind now, it's easy to get started. Focus on paying down debt with the highest interest rate first. Shop your debt around with creditors for the best rate and consider consolidating debt into a lower rate option. You can also contact your current credit card company to negotiate a lower rate. Use cash for everyday purchases and be disciplined when using credit cards to avoid carrying a balance from month to month. But don't stop saving for retirement and building an emergency savings fund as you pay down your debt, though. It's not uncommon to have a less-than-perfect financial situation, but you have the power to take control and point it in the right direction.

Learn more by watching the Voya Learn video *Prioritizing debt* at voya.com/page/on-demand/spending-and-savings-series-prioritizing-debt.

Stay the course with your investments

You may think that your investment returns will decline most during a recession, but that's not necessarily true. History has shown us that the market can decline modestly after the start of a recession and, in some instances, the market actually hit its bottom in the months before the recession started. That could mean the market lows of October 2022 will be as bad as it gets during this stock market cycle. We've had recessions and bear markets throughout history, and investments always rebound to new highs. It's important to stay the course during these periods of uncertainty and remember that investing is a long-term strategy. You can help to weather the storm during a volatile market by adopting an asset allocation and diversification plan that is aligned with your age and risk preference.

Learn more about the markets, the economy, and taking a long-term financial view by visiting voya.com/page/navigating-market-volatility.

Recession-proof your life

Remember, recessions are part of a normal economic cycle and don't last forever. You should generally avoid making any major sudden changes to your spending or investment strategy during a recession, and review your strategy regularly to make sure it remains aligned with your goals. Your future self thanks you.

Are you up to the challenge?

Looking for an easy way to grow your savings each week? Start today and match each week's savings with the number of the week. So for week one, you put away \$1. For week two, you save \$2, then \$3 for week three and so on. Continue saving for a year until you reach \$52 for week 52.

If you keep this weekly pace, you'll save a total of \$1,378 in a year and create healthy savings habits that can last a lifetime. Challenge yourself to save more today!

¹ <https://www.bloomberg.com/news/articles/2023-03-28/economists-boost-us-recession-odds-on-higher-rates-banking-woes#xj4y7vzkg>

² *The Complex Story of American Debt*, Pew Charitable Trusts, July 29, 2015



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