



DOLLARS AND SENSE

By Brian Ross, OST Director of Financial Education

Preparing Now for Potential Financial Disruptions

As I write this article our elected leaders have yet to negotiate a solution to continue government operations into the next fiscal year. Will there be a shutdown in 2015? Although it is unlikely, who really knows at this juncture? One thing is for certain; we've been here before.

From October 1 through 16, 2013, the United States federal government entered a shutdown. Regular government operations resumed on October 17 after an interim appropriations bill was signed into law. During the shutdown, approximately 800,000 federal employees were indefinitely furloughed, and another 1.3 million were required to report to work without known payment dates.

Federal employees have witnessed political posturing enough by now to essentially anticipate the shutdown showdown each year. Sometimes, as we witnessed in 2013, it actually happens. A shutdown has a real impact on families. Direct deposits stop, but bills do not. Here are some steps to take now in preparation for whatever financial disruption the future may hold:

Build an emergency fund: Even if you find there's more month at the end of the money, one idea is to examine how often you dine out. Eating out is consistently ranked as the number one budget buster. Cutting back just a little could add over \$100 to your emergency fund each month.

Work on improving your credit: In the event of financial stress we sometimes have to seek a loan. Seems the "crisis" never strikes when we are prepared and in tip-top fiscal shape. A copy of your credit report is available for free from each of the credit reporting bureaus by visiting <http://www.annualcreditreport.com>. Only you can make certain what is being reported is accurate. If you spot inaccuracies, each bureau has a process for you to request a review and state your case. Also, be sure to pay bills on time. Even if all you can do is pay the minimum, there is no greater factor impacting your credit score. Should you have to seek a bridge loan during times of income disruption, having a higher credit score will help you not only get the loan but at competitive rates.

Eliminate debt: Using your favorite web browser search for "stacking debt calculator" or "snowball debt calculator" to access free online tools and spreadsheets to help you develop a debt repayment plan. In many cases these online resources illustrate how to get out of debt (including your mortgage) in 10 years or less, paying no more than what you're paying right now. It's just math and discipline.

Tap into retirement: As a last resort, and only as a last resort, workers may have to borrow from their Thrift Savings Plan (TSP). An application process is required, but no credit check is involved. You are borrowing from yourself. A \$50 fee is assessed and loan repayments are automatically deducted from your pay which will be reflected on your Earnings & Leave statement. You are essentially paying yourself back at competitive interest rates. Generally, this is not the best option for you financially, but if it comes down to paying the mortgage or other extreme case, it's good to know this option exists.

Hopefully, we'll enter into Fiscal Year 2016 without issue. But it never hurts to be prepared. I credit my Cherokee father with teaching me this one: "It's better to have it and not need it, than need it and not have it."

9/20/2015

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