University of Kentucky
College of Agriculture,
Food and Environment
Cooperative Extension Service

MONEYWI$E

VALUING PEOPLE. VALUING MONEY.

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THIS MONTH'S TOPIC:
HINDSIGHT IS 20/20: FINANCIAL LESSONS LEARNED FROM COVID-19

Tough economic times encourage consumers to spend wisely. Recognizing this, the University of Kentucky started the Managing in Tough Times initiative in 2010. The Great Recession had affected many Kentuckians and we wanted to help. We debuted MONEYWI$E in December 2010 as a monthly resource. This newsletter is designed to improve the economic well-being of individuals, families, and communities across the Commonwealth.

For the past 10 years, the Kentucky Family and Consumer Sciences Extension Service has continued to strengthen Kentuckians' financial well-being through MONEYWI$E. The events of 2020 have once again left many Kentucky families managing tough financial times. Let's celebrate the 10th anniversary of MONEYWI$E by learning how we can become wiser consumers. Consider a few financial lessons we can learn from COVID-19.

ESTABLISH AN EMERGENCY FUND

If there is one thing 2020 taught us, it is to expect the unexpected. The best way to face periods of economic uncertainty is to be prepared. As a result of the pandemic, many Kentucky families suffered unemployment or reduced wages. A family with an **emergency fund** can better survive a sudden financial loss. The Federal Reserve recommends that people save a minimum of three months'

expenses in a "rainy day fund." Emergency savings allow families to make essential payments such as housing, utilities, food, and medical needs when their income unexpectedly decreases or their expenses unexpectedly increase.

PAY DOWN DEBT

Debt can be debilitating, especially during times of financial strain. Debt may include mortgage payments, car loans, student loans, credit card debt, or other forms of money owed. Regardless of income level, it is important to keep a low debt-to-income ratio. Some people make the mistake of believing they can "afford" to take on more debt as their income grows. However, the pandemic reminded us that everyone is susceptible to job loss and unexpected financial strain.

THE LESS YOU OWE TO CREDITORS, THE MORE MONEY YOU HAVE FOR WHAT MATTERS.

When money is tight, just paying for essentials becomes challenging. This makes debt payments seem insurmountable. Work to **pay down debt** in the new year. The less you owe to creditors, the more money you have for what matters. Also, know your loan protections. In times of hardship, mortgage or student loans may offer forbearance, deferment options, or even provisions granted by the CARES Act. Before you miss a payment, discuss with creditors options for repayment or lowering your interest rate.

BUDGET YOUR RESOURCES

The pandemic also required people to redefine "essential" and consider better ways to manage their household resources. Many families were forced to establish a budget and reexamine how much money they spent on eating out, entertainment, monthly subscriptions, and other nonessentials. Families looked for ways to cut costs on groceries and utilities, as well as manage other items because of supply shortages and purchasing limits. The pandemic of 2020 reinforced how crucial it is to **budget our resources**, as well as reprioritize and reduce our expenses. From toilet paper and paper towels, to cleaning products and hand soap, to rice and poultry, families learned creative ways to make the most of their resources, reducing costs and waste where they could.

HINDSIGHT IS 20/20

As you reflect on the events of 2020, what advice would you give your past self? Consider the financial challenges your family faced during the pandemic and what you can do differently in the future to be more prepared. Hindsight is often a powerful teacher. And after 2020, we should all see a bit more clearly.

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