

How To Best Cope With A Cash Crisis

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(NAPSA)—Trouble comes in threes, they say, but when that trouble involves money, it often arrives in crisis-provoking clusters.

The hot water heater breaks down, your laptop dies, the clutch has to be replaced, your sister decides to have her wedding in Oahu—all in the same week you get a letter from the IRS, explaining that you miscalculated your taxes in 1986 and they now own your house.

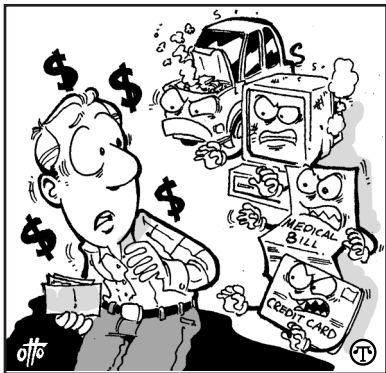
Fortunately, there are things you can do to restore your financial equilibrium. If the situation demands you act quickly, it may be a good idea to seek the advice of a debt counselor, money coach or financial planner—or even a financially savvy friend or family member who can give you a clearer perspective.

The first step is to assess the damage. Figure out how much you owe and how much money you have in reserve. Using Microsoft Money 2005 you can access and view all your account balances quickly and easily, as well as see a snapshot of outstanding debts. Second, you need to head off other mishaps—penalties, further repairs, missed deadlines.

If your emergency fund has been depleted by unexpected expenses you may consider turning to credit cards. That's fine if you know how you are going to pay them off.

If you're truly tapped out, you may want to consider taking out a home equity line of credit. The interest is tax deductible but those aren't fixed rates and may end up costing more than you thought. Likewise, think twice about borrowing from your 401(k) or IRA. There are often hidden costs and if you lose your job you might have to repay that withdrawal immediately.

There are a few ways you might be able to increase your



Facing a cash crisis. Take a deep breath and assess the damage. Then take action.

cash flow without going further into debt.

- Work part-time to supplement your income.
- Spend smarter by eliminating mindless money wasters.
- Borrow from a friend or relative. The interest rate is low. Just make sure you can pay them back.

Taking a few financial hits is an excellent opportunity to learn where you went wrong, where you're not paying attention and how you might be setting yourself up for future financial setbacks.

- Be prepared. Take time to anticipate the unanticipated.
- Be careful. An emergency fund is for emergencies. It's not supposed to be depleted every month.
- Plan ahead. The clutch is going to give out every 80,000 miles or so. The roof every 15 to 20 years. A vacuum cleaner every five. Planning ahead can give you some control and help you start saving for the inevitable.

For additional resources to get back on track financially, check out the Microsoft 2005 personal finance software (www.microsoft.com/money). It offers tools such as the Essential Budget and a helpful spending pie chart, which help you easily monitor and track spending progress against a budget.