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## **PRESS RELEASE**

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### **USE YOUR COMMON CENTS**

#### *How to Work Toward Financial Comfort in Times of Economic Hardship*

**SAN DIEGO, January 9, 2009** – If a timeline of 2008 were made it would outline the disastrous credit crunch that has unraveled over the past year, all starting with the subprime market meltdown at the end of 2007. Since then has followed a tumultuous trail of the housing market collapse, credit crunch, recession and consumer spending slowdown, which have all led to a plunge in stocks this year. According to cnnmoney.com, 2008 has been the worst year for investors since the 1930s. As of the close of day on Dec. 30, the Dow was down 34.7%, the S&P 500 39% and the Nasdaq 41.5%.

The Dow's decline of nearly 35% is the third worst ever, following a decline of 52.7% in 1931 and 37.7% in 1907.

With the volatility of the U.S. economy, Americans are being directly affected. Higher prices and higher interest rates are just a few of the increased expenses that consumers are faced with every day. So, it is now more important than ever for consumers to understand and assess their financial situation, and do what they can to save their spare change – in case of a rainy day.

#### **San Diego Metropolitan Credit Union offers the following advice when trying to save, rather than spend:**

##### **First Things First – Evaluate your Expenses & Set a Budget**

When you know where your money goes every month, it provides a “reality check” regarding *necessary* and *discretionary* spending. By developing an organized budget, you clearly determine your limits and can more easily achieve financial responsibility. Keep track of your spending by being conscious of your regular monthly expenses, including such things as rent or mortgage, utilities, car payments, insurance and credit card bills. It is a good idea to track your expenses each month so you have a realistic idea of what you spend on entertainment and food. Then, incorporate these expenses into your budget. Make sure all necessities are accounted for first, and then evaluate how much money you have for discretionary spending.

The breakdown should generally look like this:

- Housing costs – 35%: Mortgage/rent, taxes, utilities, insurance
- Transportation costs – 15%: Car payments, gas, insurance, repairs, parking, etc.
- Debt payments – 15%: Student loans, credit cards, personal loans
- Other living expenses – 25%: Eating out, vacations, entertainment, clothes, medical expenses
- Savings – 10%: Retirement planning, emergency fund, investments

##### **Shop Around**

Once you've determined your monthly bills, and know what you pay for each item, consider shopping around – possibly for a better cell phone plan or a better cable package. Many vendors and retailers are vying for your business, so they are more likely now to compete more aggressively for your business.

##### **Little Things Do Add Up: Save – Don't Spend**

The key is to spend less than you earn. Easier said than done, right? It's important to remember that little purchases do add up. For example, instead of frequenting the mall on your lunch breaks – resulting in impulse purchasing habits -- spend time at park with your brown-bagged lunch where you won't be tempted to drop a quick \$100 as you speed through the mall. Saving \$100 per month results in saving \$1,200 for the year. Avoid buying lunch and spending money on coffee everyday. This can save upwards of \$10 per day – or \$200 a month if you regularly eat out.

### **Emergency Fund**

It is important to have an emergency fund. The emergency fund should be 3-6 months worth of living expenses.

Consider socking away the money you have “found” when analyzing your budget. By regularly “socking away” that \$5 latte savings, you can painlessly prepare yourself for a personal financial downturn. Over time, this money may naturally become enough to fund your expenses during a “crunch” period.

### **Other Savings Tips**

Some of these may be radical ways to save money, but may provide the savings necessary to get you through...

- Hold a garage sale.
- Tame your driving addiction. In other words, carpool or use public transportation. This saves on gas, insurance and maintenance costs -- not to mention any money spent on aspirin.
- Buy used. The average consumer spends about \$1,750 a year on clothing and its upkeep, according to the U.S. Bureau of Labor Statistics' most recent Consumer Expenditure Survey. You can potentially cut that in half by shopping at consignment shops and auctions, though the life of the goods may be less than buying new. To account for that, the annual savings may only amount to 25%, or \$437.
- Become a homebody. At just over \$1,800 a year on average, entertainment spending has a way of quickly eating through the best-planned budgets. Consider the library for books, music and movies. Eat out less often. The average person spent \$2,276 a year on eating out in 2002. Try cutting your spending in half on both areas for annual savings more than \$1,900.
- Cut up your credit cards. Build an emergency fund first to handle most unexpected expenses. This allows you to become your own lending agency. Credit cards can be a cash-flow management tool, but paying only the minimum will result in years of debt. If you're the average American with at least one credit card, you probably have close to \$8,523 in credit card debt, according to industry research group CardWeb.com. At an average APR of 14.4%, it could cost you as much as \$1,100 a year in interest alone. By simply waiting until you've saved enough money to make purchases, you could eliminate those interest payments entirely.
- Grab an empty coffee can and put the change from your pockets into it at the end of each day – Never count it though!
- Electric bill lower this month than you expected? Put the savings into the jar.
- Losing weight? Quitting Smoking? Save money and improve your health. Put what you save from not making your cigarette or candy bar purchases into your jar.
- Open a high yield savings account. You can set up a direct deposit made from your pay check every week through the bank. You will have more trouble spending the money if you never see it.

- Do not carry any bills with you less than a \$5. When you get home every night, try to stick the one or two singles you might have leftover into your jar.
- Everyone needs a support system, so get your family involved. Offer them a reward at the end when you reach your goal if they get into good spending habits with you.

**Smart Investing: Where to put all this extra money**

Investors may find higher returns in stock markets, but they will also find higher risk. The average consumer needs to be certain a portion of their funds are safe, secure and will be accessible in times of need.

**WHAT:** Financial Comfort In Times Of Economic Hardship

**WHO:** San Diego Metropolitan Credit Union

**WHEN:** Interviews are available immediately and ongoing

**WHERE:** In-studio or phone interviews available with San Diego Metropolitan Credit Union

*San Diego Metropolitan Credit Union (SDMCU) is committed to its community and members and provides services to families and individuals to manage their personal finances. SDMCU has been in business since 1934 and serves over 20,000 members. SDMCU's corporate headquarters are located in San Diego and information about SDMCU is available on the worldwide web at [www.sdmcu.org](http://www.sdmcu.org).*

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