

How do we get out of this mess?

At our latest CCN 4 conference one of our speakers, Dr. Tom Campbell painted a dramatic picture of turmoil that we are going to continue on. When we finally come out of the recessionary times we are heading into some dramatic inflationary times. As he explained the numbers and what we are in store for, the thought started coming out. How can we deal with this mess and more importantly, how do we get out of it?

First, we are not close to being finished in our recessionary times. Charges offs are rising, layoffs continue, and bankruptcies are growing. From the latest trends we are looking at anywhere from a 9% to 12% charge off range, depending on which economist you believe. Taking either stance a conservative or liberal does not really matter, the overall consensus we are looking at is anywhere from a 3% to 5% growth in charge offs. Foreclosures continue to grow as well. All the effects of a loose credit society has lead to the foreclosure crisis. One out of every 3 families are somehow affected by the foreclosure crisis. Parents are helping kids, adults helping their parents, and so forth. With the temporary moratoriums being lifted on foreclosures, we have not seen the market bottom out. The good news is there are pockets of the country that are stabilizing, the bad news is populous areas such as California and Florida have not. Bankruptcies are still rising at an alarming rate. Both consumer and businesses are failing at record levels. Major corporations such as Chrysler, Circuit City, Sharper Image and Linens and Things are just a few corporations who have thrown in the towel. This of course leads to more unemployment and vacant retail centers. Thus property prices keep dropping and we continue in our vicious cycle. With construction down eventually demand will surpass supply (economics 101, remember?) but from a timing issue we still have plenty to go. Major purchases continue to decline as consumers hold off on major expenditures.

So what happens next? After periods of recessionary times you are followed by periods of inflation. So how can we minimize this? Obviously we need to keep jobs here in the US. Our main focus should be rebuilding the infrastructure of the US to create jobs and curb the massive amount of cash outflow. Energy has to be a target. The US needs to refocus its efforts on clean green energy, imagine the results of a mass retooling of our energy production to green efficient energy usage. Creating and building green power plants should be a top priority. Solar, wind, and wave technology should be prime targets on reducing foreign expenditures on oil. Chrysler and GM going bankrupt? Again, by refocusing on producing green efficient autos. If Chrysler or GM were the first to mass produce an auto that got 100 mpg and was cost efficient, bankruptcy would not be a problem. The issue there is short term thinking in a long term environment. When gas hit \$5 a gallon, the consumer screamed for efficiency, at \$2.50 a gallon, we get complacent. If one of the automakers should roll out their efficient auto and bingo, guess whose dealers will be overwhelmed with orders. The automakers should realize that the oil companies who they thought were their partners are not and are only in it for their own profit.

Our governments lead of spend, spend, spend has got to stop. We only make a certain amount of money, budget wise we need to spend only a portion of it. Deficit spending is a serious issue and having an unfriendly county such as China having so much IOU's from us can cause complete instability in the global economy. Consumers need to do the same; living above your means only leads to trouble down

the road. Taking out 120% of the value of our homes, giving loans to people by using the mirror test (you fog it, you got it) is no way to manage money responsibly. Living above our means with huge credit card debt is creating a negative marketplace. The concept of necessity vs. luxury continues to dilute and thus we live above our means. Remember the days of 20% down to purchase a home? Remember when you could only get a \$300 line of credit?

So how do we correct it? One, we need to save money. Living paycheck to paycheck is dangerous and economically unsound. An unforeseen medical bill, car repair, or family emergency can stretch a tight budget beyond repair. Live within a budget, can you determine what is necessary and what you can live without. Have at least a three month cushion in the bank can relieve a lot of stress. Take a portion of your check and deposit it into a saving account automatically. \$50 here or there will not change your life but 6 months worth every 2 weeks adds up to \$650 in the bank, do it for a year and you have \$1300. It can quickly add up to that cushion for that emergency. Cut out Starbucks 3 times a week and you have already saved nearly \$20. It all adds up.

Two, Live within our means. Tough choices need to be made at every level. Families need to curtail their expenses to necessities until their budget is in line. The government needs to do the same, control spending. We honestly cannot afford to be the world's policeman without compensation. If Iraq wants our protection, let them help pay for it. In today's world we cannot afford to pay for everyone's defense.

Three, continue to develop our own self sufficient energy programs. By utilizing domestically produced energy we help reduce our foreign deficit and create local jobs, both ideal ways to create US opportunities. As creative and brilliant our minds are, if we focused on changing our precious resources utilization. We could harness cheaper, cleaner and more environmentally friendly sources of power.

By redirecting our focus and staying on these tough roads we can survive the recession. Each day that goes by, is one more closer to ending this economic crisis. Hold on tight, there are still a few more dips on this ride before we get to the end.

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