

Coping with tough times

Enforced frugality can help create more sustainable spending

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The confluence of a major recession, stock-market crash, credit squeeze, bursting of the real estate bubble and lack of confidence in government to pull us out of the most severe economic crisis in decades has affected the lifestyle and retirement plans of growing numbers of the well-to-do – not to mention all those less fortunate. Lay-offs, foreclosures, bankruptcies, and belt-tightening are widespread as individuals and businesses struggle to stay afloat.

Financial insecurity throughout the country is rampant and reinforced almost daily by tragic news stories and dismal projections.

The anxiety experienced when our basic psychological need for security is threatened cannot be underestimated, especially when so many negative factors are making themselves felt at the same time. This lack of financial security creates a spiral of worry, anxiety, rumination, family arguments, psychosomatic symptoms, insomnia, catastrophic thinking, depression and a hunkering down and retreat from usual spending habits.

Living within our means is making a forced comeback into fashion. So is "cocooning" at home. The good part of this is that we will have to find ways to enjoy and entertain ourselves and our family and friends that do not depend on spending money – or at least a lot less of it. These activities include socializing at home, perhaps more time reading and exercising, and even some time to simply slow down and reflect on our lives. The challenging part of this is that with more enforced contact, it's easier to take out our money frustrations on those people closest to us.

It is always easier to blame others than to take personal responsibility for our own investments that were not watched closely enough. And there are plenty of financial players to turn our anger toward if we want to start blaming. Investment sales reps and financial planners tend to minimize the devastation and its impact, many chanting their usual self-serving "buy and hold" mantra and urging us to "stay fully invested for the long term."

Rarely, if ever, are we given advice to sell stocks and build up larger cash reserves during a raging bear market. For many boomers, the "long term" is right around the bend, with limited time to recoup deep market losses. The truth is that many will never recover from what the market crash incinerated.

When savings and retirement accounts are sucked into the stock market's black hole, we no longer experience the "wealth effect" – the feeling of well-being and consumption that accompanies an increase in disposable income during good times. We then eliminate those activities that add texture and enjoyment to life but are not necessary for survival.

What can you do to cope with the worry and insecurity that accompany these hard times?

- Make sure to get adequate exercise and sleep to help deal with stress and lessen chances of disease.
- Use your insecurity to motivate yourself to live within your means for the rest of your life; identify and then execute the necessary steps to make this happen.
- Use your investment losses to revamp your thinking regarding what percentage of your investments to allocate to the stock market and vow to monitor your investments closely.
- Find enjoyment in the small, everyday events of the natural world that do not require expenditures or acquisitions. Walks on the beach, watching a sunset, rowing a kayak in the bay, doing yoga or playing in your garden may be easy and natural substitutes for filling any sense of emptiness, rather than buying a pair of Miu Miu shoes.
- Focus on gratefulness: Appreciate what you have rather than ruminating on what you may be forced to live without.
- Vow to get out of credit card debt so you can stop paying high interest rates for the pleasure of having something now that you really can't afford. Vow to use credit wisely and pay off anything you charge at the end of every monthly cycle.
- Talk about your fears and insecurities with friends, family or a professional who can help you.

Use any forced sacrifices to take note of those things you think you "can't live without." While unpleasant to give up, it is always instructive to know what material goods and services we feel attached to and by which we experience our sense of identity or well-being.

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