

Surviving an Economic Crunch

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All around the world, men and women are experiencing a severe economic crunch not seen since the depression of the 30s or the oil shortage scare of the 70s - and this is relentlessly affecting our quality of life.

In America, imports have grown and production has shrunk. Most products are now made in other countries where labor is cheaper. Manufacturers say Americans want to work, but only on their own terms.

Americans are having a difficult time adjusting to a global economy as the domestic demand is weak and the dollar value declines. We search for happiness and prosperity in a world of change and scarcity.

The Economy Will Improve

One thing we can depend on is that the economy is always in transition - it goes up and down. We've always seen bad times become good again and with proper belt tightening and planning, we can survive all problems - including this economic crunch.

Our economy, despite high prices almost everywhere, is still showing some positive growth. Credit is tight and so are household budgets. Families are cutting back, even doing without, to make ends meet.

It's becoming rare to find a family where both husband and wife don't work. Many of them are now working two jobs just to pay for the necessities. However, many employers are being forced to downsize their staffs and more employees are pleading for the opportunity to work at home or telecommute.

As jobs decrease, applications for food stamps increase. Requests for more handouts reflect the state of the economy. Major purchases such as autos, TVs and homes are being delayed despite give-away interest rates.

They're struggling to pay the obligatory bills with luxury items put on the wish list.

Gas Prices Climb

Much of the economic crisis is blamed on high oil prices resulting in soaring gasoline prices. Many economists say gas prices will continue to rise, due in part to recent and future weather storms causing gas to climb to five and possibly six dollars a gallon.

The usually conservative U. S. Department of Energy issued a recent report stating that gas would remain at least in the four-to-five-dollar range throughout 2009. We thought the oil supply was never ending, but now that we're suffering from an "oil shock," we refuse to abandon our love affair with the car.

Who's to blame for the staggering gasoline prices? Blame falls in many areas, including increased demand, shortage of supply, oil speculators and the weak dollar. The average person has little if any control over these factors and must seek other ways to cope and survive.

Food Crisis Looms

We're not only experiencing a gas crisis, but a food crisis as well that some say could threaten world peace. There have already been food riots from Mexico to Pakistan. Many countries are buying in larger quantities because they've stopped or cut back on growing their own food.

Demand is up and supplies are down and prices react to increased demand by also rising. Worldwide food reserves are at their lowest in almost 40 years. Consumers in some countries have called for boycotts on certain foods in an effort to bring prices down.

Italy called for a boycott of pasta, but it had little effect. Rice, as Asian staple, is in very short supply and costs have skyrocketed. High oil prices are receiving the blunt of the blame as the ripple effect is felt on corn, which is being diverted to production of biofuels.

New markets mean shorter supplies and higher prices. Food speculators, like oil speculators, are fanning the inflation flame. Oil prices have affected fertilizer prices and the transportation of food to market. Extreme weather conditions have also played a part in food shortages and will always continue to do so. Mother Nature is as hard to control as oil suppliers.

High Food Prices Drain Budgets

We're not just imagining high prices at the local grocers. They're quite real. Eggs have risen on average from \$1.45 a dozen only two years ago to \$2.18. Red Delicious apples have gone from 96 cents a pound to \$1.20. Whole milk is near \$4 a gallon.

In the last two years, corn has increased from \$2.28 a bushel to \$5.46, while wheat has soared to \$11.21 from \$3.48. Of course, these prices vary depending on where you shop and in what part of the country you live, but the undeniable fact remains: costs are up.

These examples were correct at the time of this writing but are probably higher even as you read this – even if it's only a day later!

Households spend on average three times as much for food as gas. The average family budgets about 13% for food and almost 4% for gas. With the costs of these two commodities tightly related the family unit is reeling from a double whammy.

Discretionary Income Remains Flat

Not only is the crunch threatening the family pocketbook, but their emotional stability as well. The breadwinner is working harder and longer than ever before just to remain where they were a few years ago. They see no improvement in their quality of life and have little or no discretionary income.

Experts say there is insignificant relief in sight with prices continuing to rise and perhaps snowball. Forecasters indicate that it could take a decade

to bring food and fuel prices back down to an affordable and realistic level.

Credit Card Debt Not the Answer

Many have turned to increased credit card debt and have become servants of the credit card companies paying exorbitant interest rates with little attention to the principle. Some surveys reveal the average American household carries more than eight thousand dollars in credit debt.

Other surveys dispute that saying the average is less than four thousand; but there is no doubt people are careworn under a massive mountain of debt. Credit card use is slowing somewhat because less credit is being offered by banks and other institutions.

Credit limits are also being lowered and many families are cutting back their spending habits. It's so easy to say "charge it" because you don't feel you're spending real money as you would with cash.

Even if you have a credit card that offers rebates, air miles or cash back, experts advise you to use plastic only when necessary and not as a lifestyle. With rebate offers, users are likely to feel that the more they spend the more they'll get back.

Managing your personal finances is 80% behavior. Taking responsibility for your actions and financial responsibility is half the battle. This may surprise you but a household with an average annual income of \$13,000 spends more than \$600 a year on lottery tickets.

That's about 9% of their income, which is more than most families spend on gasoline. When asked why, some said it was the only way they had a chance to ever have any money.

Help From Rebate Checks?

The federal government is trying to stimulate the economy by sending out thirty billion dollars in rebate checks in hopes people will spend the money at the retail level and thus boost the financial system.

Some, however, will use the money to pay off debt or put it in savings. If spending money is too easy for you, perhaps you're not happy. Studies have shown that sad people are more likely to buy something and go into debt.

Families Making Difficult Choices

Many families are having to decide between saving for retirement and putting aside money for their children's education. Like everything else, the cost of learning is skyrocketing.

The annual cost of college including tuition, fees, books, room and board ranges from thirty to fifty thousand dollars. And, that doesn't include laptops or cell phones, which are considered a luxury.

If parents want to send their kids to a private school instead of public they're faced with the same kinds of cost, especially if they decide on a boarding school instead of a day school. Parents don't want to whittle away at their savings but are hesitant to saddle their kids with debt after graduation from loans.

One solution could be obtaining a scholarship but students are facing fierce competition to even be considered. Some schools are tuition free but entrance into these is also extremely difficult.

Vacations Getting More Expensive

The ever-anticipated family vacation is also being scrutinized on ways to cut back or even eliminated. The old saying "getting there is half the fun" might be changed to getting there is half the cost.

For those driving to their destination many are planning to drive a shorter distance. RV'ers are still taking to the road but traveling to fewer camps. Most RV campgrounds are reporting fewer RV's but longer stays.

Road travelers are not the only ones hit. The cost of flying or cruising is also up due mainly to the high cost of fuel. Most airlines and cruise lines now add a fuel surcharge and tack on fees for luggage.

Many boaters are staying docked because they can't afford the fuel for the water sports they used to enjoy. No matter where you travel you can expect higher costs to get there and when you arrive.

Some cities are more expensive to visit than others. Honolulu is one of the most expensive vacation spots with an estimated cost of \$670 a day including lodging and meals.

New York City isn't much better at \$600 and to visit our nation's capitol, expect to spend about \$350 a day. These figures are based on two adults and can certainly vary depending on where you stay and eat.

Sales Tax Collection Is Down

Even city governments are feeling the pinch of reduced spending and travel as their sales tax drops. This is mainly affecting popular tourist destinations but as residents cut back on their spending it's causing city fathers everywhere to take a look at their own budgets.

Some city services and give away programs could be at risk. As people strain to feed themselves, they're more reluctant to give to the needy. Homeowners are also facing the increasing cost of utilities in all parts of the country.

The high cost of fuel to provide these utilities comes right back to the consumer who can either pay up, cut back or get cut off. These increases aren't just affecting heating and cooling but also water, sewer and trash collection.

Increasing utility costs are affecting both homeowners and business owners. Business owners can pass at least some of the costs on to the consumer but homeowners don't have that option. There are calls for conservation both at home and at work.

Utility officials say they're seeing a constant increase in disconnects from service and more people going without utilities for a longer period of time. This usually depends on the weather in whatever part of the country they live.

There are government programs offering utility payment assistance to those on welfare, the elderly and low-income families. They either get free utilities or can pay it out as they can afford it. But, if you don't qualify for assistance, you must fork up the entire payment when due or service will be discontinued.

Some families are left with no alternative other than paying with a credit card or lose their utilities. This is not recommended unless you can pay the balance off in full each month. With mounting credit debt, other rising necessity costs and dwindling cash flow this is not likely.

Fewer Dollars for Entertainment

How is the economy crunch affecting the entertainment budget for families? There's no doubt families are cutting back on entertainment and spending less on concert and movie tickets. They're passing by those concession vendors now with just a longing look.

But, as the long drive to an entertainment venue may be less desirable, people are discovering what their hometown has to offer and many are amazed. They're also enjoying more family gatherings, cooking at home, playing games and can it be possible, talking. Laughter is the best medicine and entertainment is cheaper than therapy.

Addicted to Debt?

Our economy is in a state of flux with a strange combination of problems including both inflation and recession although economists are timid about using the R word. Some do say the economy is being smothered because Americans, including the government, have a debt addiction.

We're living longer now which means we must endure longer whether times are good or bad. Knowing that, we must be mindful that even if

prices retreat, they'll only pull back to a new level much higher than they've ever been.

More than 60% of people interviewed over 50 years of age expressed concern with post retirement, saying they don't want to become a nation that's working for gas.

It's Not the End of the World

Oh yes, times are changing - and with it - our lifestyles. There are ways to cope and we must seek those. We must learn what to do and do it. The world is our home and it's our responsibility to strive for the best for ourselves and our family.



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