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# Recession readiness paramount

## Emergency fund can help ease pain.

**By KATHLEEN PENDER San Francisco Chronicle**

*Published Monday, March 10, 2008*

Face it. The odds of a recession have grown. What should you do to prepare?

"Two things you don't want to do is buy a second house and figure out how to sell the current one later or quit your job and figure out how to get another one later," said Jeff Lancaster, a principal with money management firm Bingham, Osborn & Scarborough.

Many experts say the housing and job markets are likely to get worse before they get better. That's because economic stimuli generally take six to 18 months to have an impact.

Recessions aren't officially recognized until months or years after they happen, but some economists say one has begun. David Rosenberg of Merrill Lynch notes in a report that the four factors the National Bureau of Economic Research uses to gauge recessions - employment, real personal income, industrial production and real manufacturing and retail sales - all peaked in November or December, suggesting we entered a recession in January.

Rosenberg expects home prices will decline 15 percent in 2008 and 10 percent more in 2009. He predicts that unemployment - which jumped to 5 percent in December from 4.7 percent in November - will hit 5.75 percent by year's end and 6 percent by early 2009.

Rosenberg is more bearish than most. A Bloomberg survey of 35 economists published Jan. 9 put the odds of a recession at 40 percent. But if you would rather be safe than sorry, here are some ways to batten down the hatches:

- **Assess your job situation.** In a recession, no one is immune from layoffs. Today, anyone in housing, real estate or finance is especially vulnerable.

People who depend on sales commissions - particularly on non-durables such as cars or appliances - could see their incomes pinched, said Bill Gustafson, senior director of the Center for Financial Responsibility at Texas Tech University.

If you're worried about your job, consider investigating or training for a new career.

- **Build an emergency fund.** You should have at least three to six months of living expenses in a safe place such as a money market fund or savings account. If you don't, here are some ways to build an

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|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 1 | 3 | 6 |   |   |   | 7 |
|   | 9 | 2 | 5 | 8 |   | 6 |
|   |   |   |   |   | 1 | 2 |
| 2 |   |   |   | 1 | 5 |   |
|   |   | 1 | 2 | 6 | 5 | 3 |
|   |   | 6 |   | 3 |   |   |
|   |   | 4 | 8 |   |   |   |
|   | 2 | 7 |   | 4 | 9 | 8 |
| 8 |   |   |   |   | 6 | 4 |

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emergency fund:

Pare spending on nonessentials such as cable TV, restaurants and entertainment.

Increase your income by working more hours or getting a second job.

Clean out your closets. "I have a friend who just lost her job. She is having a ball selling a whole bunch of stuff on eBay, everything from a gold Cartier watch to smaller things," said Kit Yarrow a marketing and psychology professor at Golden Gate University.

Continue contributing enough to your retirement plan to get the full employer match, but put any extra savings in your emergency fund until it is sufficient. Contribute any check you might get from Uncle Sam to your emergency fund.

- Pay off credit cards. It's sad to say, but many people "use their credit cards as a rainy day fund," Yarrow said.

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