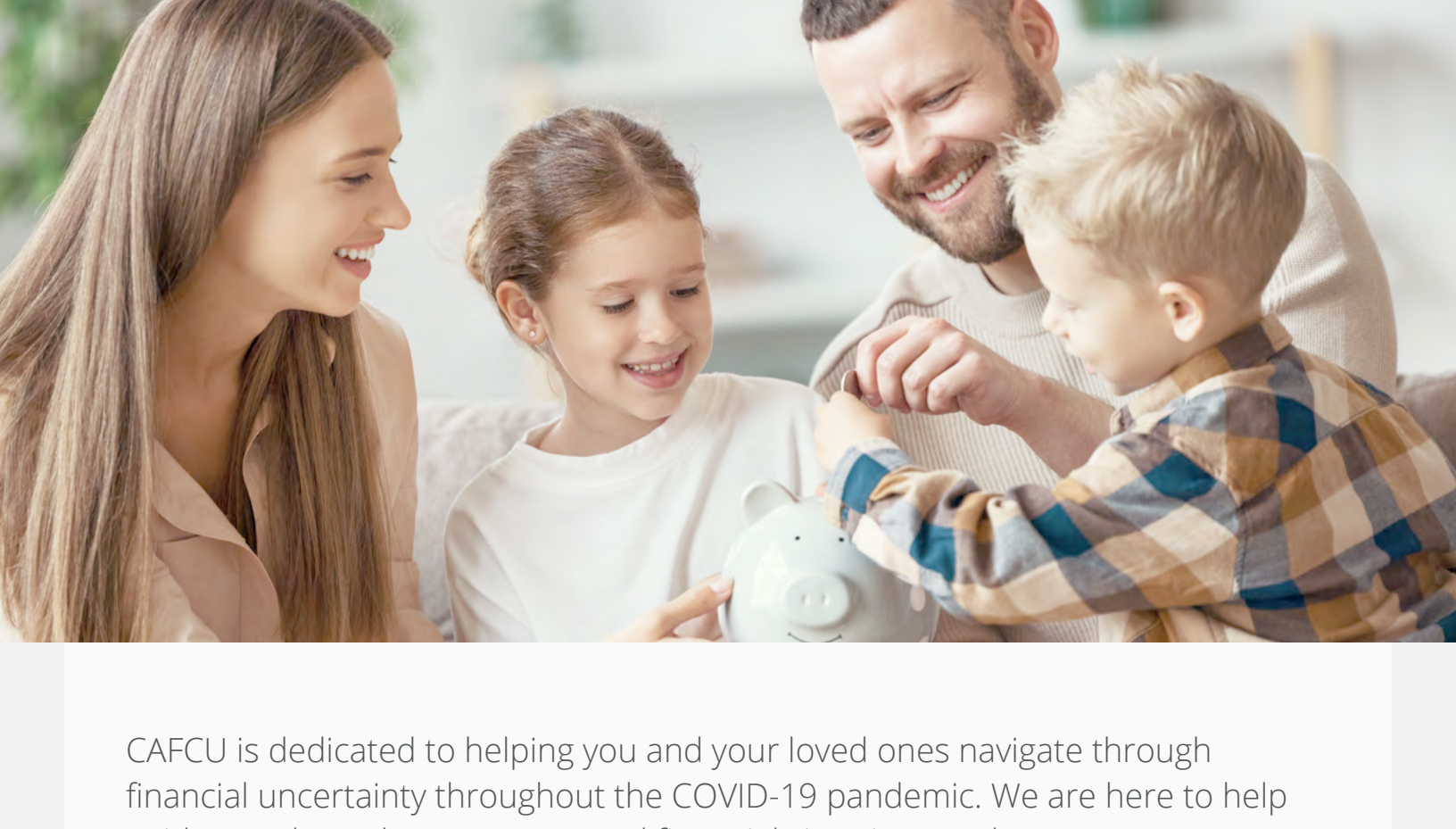


# COVID-19: The Third Wave

## How to Financially Prepare



CAFCU is dedicated to helping you and your loved ones navigate through financial uncertainty throughout the COVID-19 pandemic. We are here to help guide you through any unexpected financial situations and to empower your success. As we enter the third wave of the COVID-19 pandemic, we will continue to help our members prepare financially for situations that may arise.

Click on the [links](#) below to view the resources listed.

## Maintain an emergency fund

An emergency savings fund will help you be self-reliant and take care of bills if you have an unexpected expense or your income is reduced or eliminated without relying on credit. The size of the fund should be based on your family size, expenses and personal comfort level. Most financial planners recommend three to six months worth of living expenses be set aside.

“Having an emergency fund can help a family sail through turbulent times, be it on account of job loss, or an extended period of hospitalization, both of which would mean that your earnings stop,” says Amol Joshi, founder, PlanRuppee Investment Services.<sup>1</sup>

**TIP:** Maintain emergency funds in a joint account (anyone or survivor mode) so that the spouse or family member can withdraw from it in an emergency.<sup>1</sup>

### Educational Resources:

- > [Emergency savings accounts: Where to stash your cash](#)
- > [Emergency savings calculator](#)
- > [How to handle a money emergency when you don't have savings](#)
- > [Saving for short- and long-term goals](#)
- > [Savings toolkit](#)
- > [Savings goals calculator](#)
- > [Five pro tips to nailing your savings goal](#)
- > [Savings: Your key to success](#)

## Protect your investments

Asset allocation is an investment portfolio technique that aims to balance risk by dividing assets among major categories such as cash, bonds, stocks, real estate, and derivatives. Each asset class has different levels of return and risk, so each will behave differently over time.<sup>2</sup>

For instance, while one asset category increases in value, another may decrease or may not increase as much. Some critics see this balance as a recipe for mediocre returns, but for most investors, it's the best protection against a major loss should things ever go amiss in one investment class or sub-class.<sup>2</sup>

### Why asset allocation is so important

By including asset categories with investment returns that move up and down under different market conditions within a portfolio, an investor can protect against significant losses. Historically, the returns of the three major asset categories have not moved up and down at the same time. Market conditions that cause one asset category to do well often cause another asset category to have average or poor returns. By investing in more than one asset category, you'll reduce the risk that you'll lose money, and your portfolio's overall investment returns will have a smoother ride. If one asset category's investment return falls, you'll be in a position to counteract your losses in that asset category with better investment returns in another asset category.<sup>3</sup>

### The magic of diversification

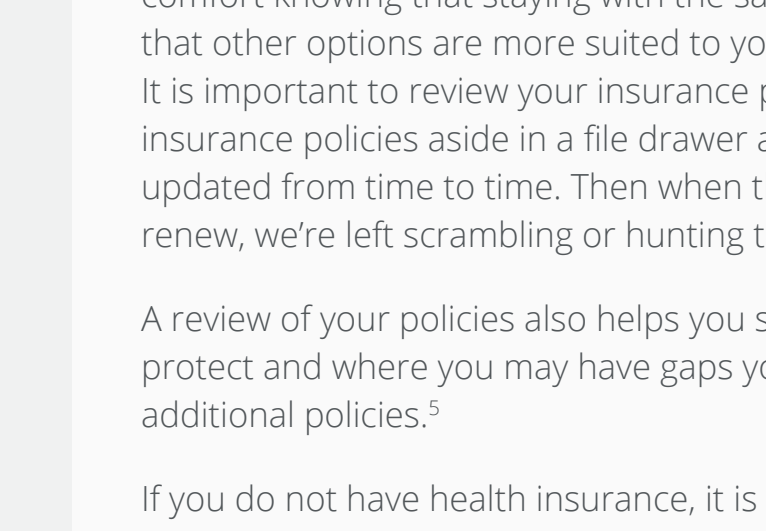
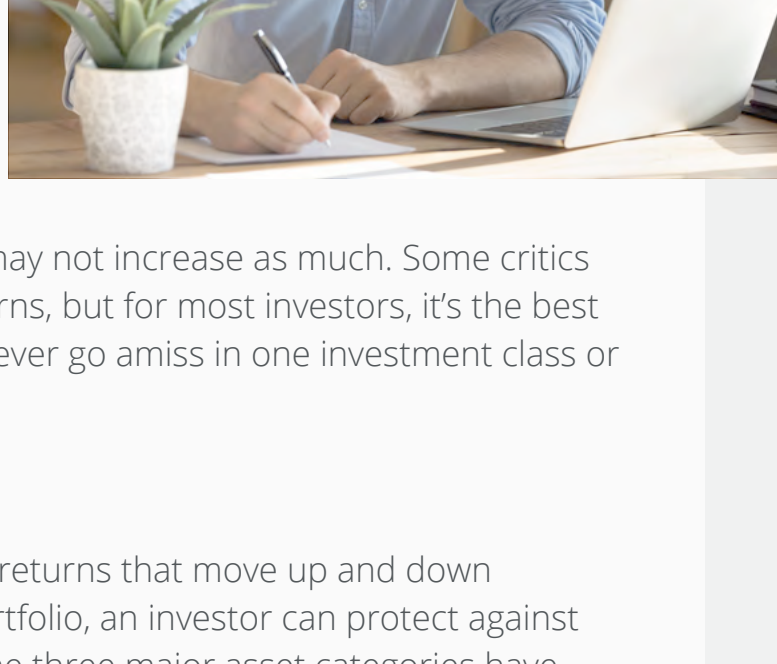
The practice of spreading money among different investments to reduce risk is known as diversification. By picking the right group of investments, you may be able to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.<sup>3</sup>

### Rebalancing

Rebalancing is bringing your portfolio back to your original asset allocation mix. This is necessary because over time some of your investments may become out of alignment with your investment goals. You'll find that some of your investments will grow faster than others. By rebalancing, you'll ensure that your portfolio does not overemphasize one or more asset categories, and you'll return your portfolio to a comfortable level of risk.<sup>3</sup>

### Educational Resources:

- > [Beginners' Guide to Asset Allocation, Diversification, and Rebalancing](#)
- > [Asset Allocation, Diversification, and Rebalancing](#)



health and life insurance policies annually. Performing an annual review can give you comfort knowing that staying with the same plan is right for you. Or, you may discover that other options are more suited to your needs and budget at this time.<sup>4</sup>

It is important to review your insurance policy on a regular basis. All too often we set insurance policies aside in a file drawer and forget that some items in them need to be updated from time to time. Then when the time comes to make a claim, pay a bill, or renew, we're left scrambling or hunting through files for policy details.<sup>4</sup>

A review of your policies also helps you stay up-to-date with what your coverages protect and where you may have gaps you'd like to fill with supplemental coverage or additional policies.<sup>5</sup>

If you do not have health insurance, it is time you buy one. Nobody plans to get sick or hurt, but illness and accidents happen even to healthy people. Health insurance protects you from unexpected, high medical costs.<sup>6</sup>

**TIP:** Make sure to renew your existing life and health policies on time. Harshad Chetanwala, co-founder of MyWealthGrowth.com, says: “The cost of missing these renewals can be very high in these times.”<sup>11</sup>

### Educational Resources:

- > [How to Review an Insurance Policy](#)
- > [Why You Should Review Your Health Insurance Policy Every Year](#)
- > [5 Reasons To Review Your Insurance Policies Annually](#)
- > [Why You Should Review Your Health Insurance Policy Every Year](#)
- > [10 Questions to Help Assess Your Changing Insurance Needs](#)
- > [Marketplace Coverage & Coronavirus](#)

## Keep a tight rein on debt

The sum total of all your debt should ideally not exceed 40 percent of your take-home salary. In these unforeseen times, ensure that you do not add to your existing debt unless absolutely necessary. The additional payouts could give you immense trouble in case of temporary loss of income.<sup>1</sup>

Do your best not to incur high-cost, high-interest unsecured loans, such as credit card debt and personal loans. Do not add to your debt burden until the storm blows over.<sup>1</sup>

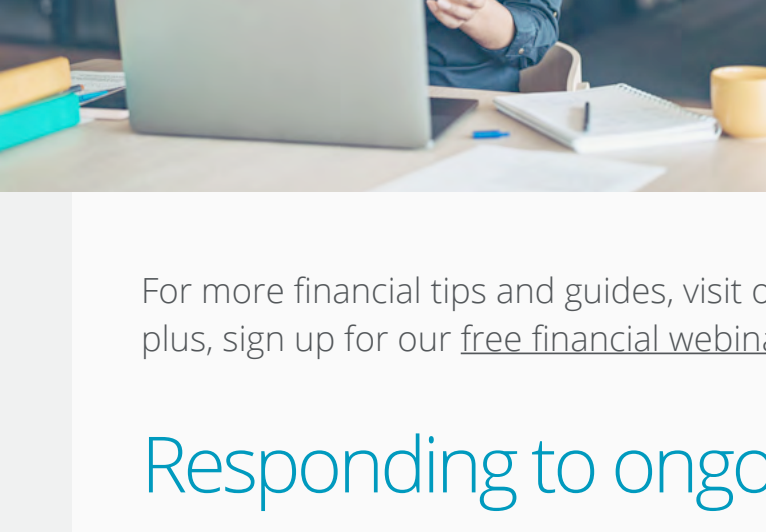
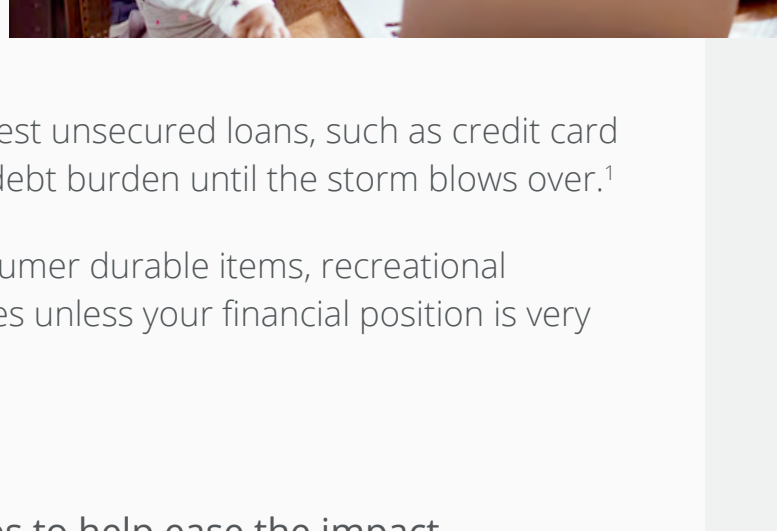
**TIP:** Postpone the purchase of big-ticket consumer durable items, recreational spending on holidays, and other such expenses unless your financial position is very secure.<sup>1</sup>

### Educational Resources:

- > [Coronavirus and dealing with debt: Tips to help ease the impact](#)
- > [How to communicate with a creditor](#)
- > [How to negotiate with collection agencies and win!](#)
- > [Getting out of debt](#)
- > [Five ways to overcome debt stress](#)
- > [Is debt consolidation a good idea?](#)
- > [Debt consolidation calculator](#)
- > [Consolidate debt with a low rate personal loan](#)
- > [Transfer your credit card balance](#) to get a lower interest rate and make only one monthly payment

## Review your insurance needs

Insurance policy reviews should be part of a financial plan. Think about what has changed in your life over the past year. If you're like most people, probably quite a bit! Nothing stays the same forever, including health and life insurance policies. Because the policies and your needs are always changing, you should review your



## How we can help

We are committed to providing educational resources and tools to our members and partners. As a member of CAFCU you have free access to financial counselors and education. All sessions are over the phone, with counselors that speak over 100+ languages.

- > [Financial coaching](#)
- > [Request to speak to a counselor](#)

For more financial tips and guides, visit our [Financial Wellness and Education Portal](#), plus, sign up for our [free financial webinars](#).

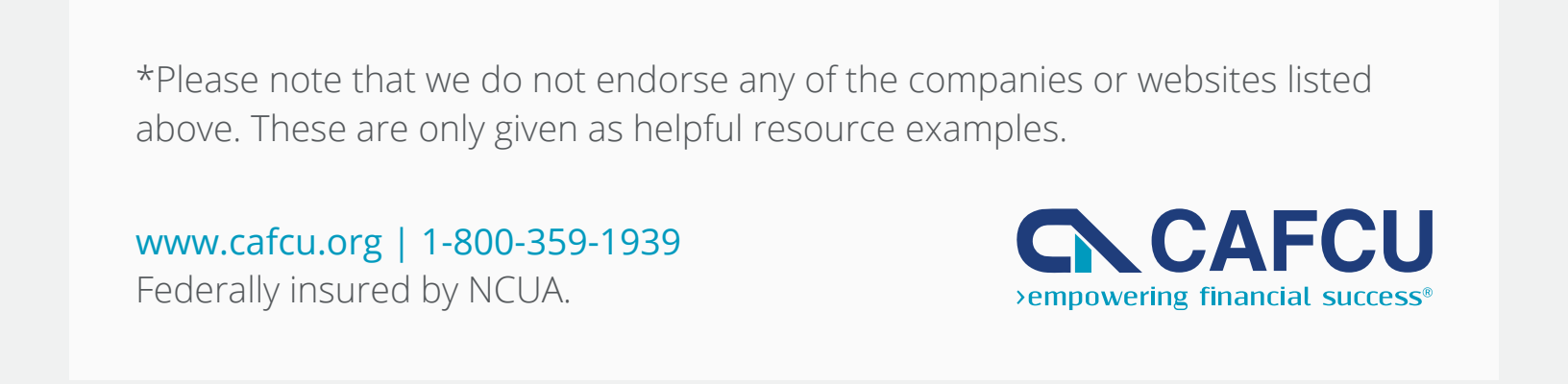
## Responding to ongoing change

As your credit union, we are here to be the stabilizing force in our members' financial lives and will continue to offer solutions to serve our members' evolving needs.

If you or your family have been impacted by COVID-19, and need financial support, we're here to help. We are dedicated to assisting our members through tough times by offering [financial assistance](#). We understand the impact you may be facing, and that may include [areas outside of your control](#). Our team members are ready to provide [financial resources, guidance and discuss solutions](#) that may be available to you.

If you are not yet a member, join CAFCU today and gain access to all of these free resources!

**JOIN TODAY!**



[www.cafcu.org](http://www.cafcu.org) | 1-800-359-1939  
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\*Please note that we do not endorse any of the companies or websites listed above. These are only given as helpful resource examples.

Sources:  
<sup>1</sup> Third Wave: Be Financially Prepared!, <https://www.rediff.com/getahead/report/third-wave-be-financially-prepared/20210728.htm>  
<sup>2</sup> <https://www.investopedia.com/articles/03/032603.asp>  
<sup>3</sup> <https://www.investor.gov/additional-resources/general-resources/publications-research/info-sheets/beginners-guide-asset>  
<sup>4</sup> [How to Review an Insurance Policy, https://www.thebalance.com/how-to-review-an-insurance-policy-2388605](https://www.thebalance.com/how-to-review-an-insurance-policy-2388605)  
<sup>5</sup> [5 Reasons to Review Your Insurance Policies Annually ... https://www.icsj.com/blog/5-reasons-to-review-your-insurance-policies-annually/](https://www.icsj.com/blog/5-reasons-to-review-your-insurance-policies-annually/)  
<sup>6</sup> [See How Health Insurance Coverage Protects You ... https://www.healthcare.gov/why-health-insurance-is-important/coverage-protects-you/](https://www.healthcare.gov/why-health-insurance-is-important/coverage-protects-you/)