

5 Things You Should Do Now to Prepare for the Coming Severe Recession

Do you remember what economic conditions were like in 2008 and 2009? What is ahead of us is likely to be significantly worse.

There will be severe pain for those who get blindsided by this new crisis, but those who choose to get prepared in advance will have the best chance of successfully weathering the coming storm.

This week, we learned that the rate of inflation in the United States surged even higher last month. And this is happening even though the overall economy is steadily slowing down.

At this point, the vast majority of the population understands that economic conditions are rapidly deteriorating. In fact, one recent survey discovered that 70% of all Americans now believe that an economic downturn is ahead of us:

Most Americans—70%—already believe an economic downturn is on its way, according to a new survey from MagnifyMoney. The online survey was conducted between June 10 and 14 and included 2,082 respondents.

Sadly, it is likely that a recession is already here. The U.S. economy contracted during the first quarter of 2022, and the Atlanta Fed's GDPNow model is currently projecting -1.5% growth for the second quarter.

Two quarters of negative growth in a row would mean that we are officially in a recession at this moment.

But many experts are warning that much worse is ahead, and we continue to get more evidence of this with each passing day.

For example, it is being reported that the number of vehicle repossessions is exploding, and many of these vehicles were just purchased during the “mini-boom” that we witnessed in late 2020 and early 2021:

Lucky Lopez is a car dealer who has been in the business for about 20 years. In recent meetings with bankers, where he bids on repossessed vehicles before they go to auction, he has noticed some common characteristics of the defaulted loans. Most of the loans on recently repossessed cars originated during 2020 and 2021, whereas origination dates are normally scattered because people fall on hard times at different times; loan-to-value ratios, or the amount financed relative to the value of the vehicle, are around 140%, versus a more normal 80%; and many of the loans were extended to buyers who had temporary pops in income during the pandemic. Those monthly incomes fell—sometimes by half—as pandemic stimulus programs stopped, and now they look even worse on an inflation-adjusted basis and as the prices of basics in particular are climbing.

It is very alarming to read things like that.

Unfortunately, as bad as things already are, the outlook for the months ahead is even worse. The following comes from Zero Hedge:

*Finally, a Chicago Fed survey on the outlook for the US economy decreased to minus 60 in June, **the worst reading since the survey began and worse than at the depths of the COVID lockdowns in 2020.***

The following are five things that you can do right now to get prepared for the severe recession that is ahead:

1. Make sure you have a source of income.

Last year, if you didn't have a source of income, it wasn't

that big of a deal. Thanks to an unprecedented shortage of workers, the number of job openings surged to a record high. It was so easy to get a job that if you felt like taking some time off, you could always jump back into the employment pool later.

But now things are changing very quickly. The number of job openings is plunging, and layoff announcements have started to spike.

When the music stops playing, you don't want to be one of the people without a chair.

2. Build up your emergency fund.

When a recession hits, it is extremely important that you are able to continue to pay the bills no matter what happens.

When economic conditions deteriorate, bad things happen. Some people lose their jobs and others lose their businesses.

If you get hit with some bad luck, you don't want to be in a position where you could suddenly lose everything.

During 2008 and 2009, many Americans lost their homes because they suddenly could no longer pay their mortgages. Don't let that happen to you.

3. Get out of debt.

After you have built up your emergency fund, getting out of debt should be a high priority. I would start with eliminating anything that has high interest rates, such as credit card debt. Mortgages, student loans and other debts that have lower interest rates should be lower on the list.

Those who are "lean and mean" will have the best chance of getting through this crisis in good condition.

4. Stock up on essentials now.

Prices are going to keep getting higher, so the things you are going to need during the months ahead will not be any cheaper than they are right now.

Don't spend money on unnecessary items, but it is a good idea to stock up on the essentials that you use on a regular basis right now while you still can.

5. Maintain a positive attitude.

This is so important. Have you ever known someone who was truly successful in life but had a negative attitude about everything?

Yes, bad things are going to happen, but we need to believe that we can make it through whatever challenges we are going to face. Being depressed and defeated because economic conditions have deteriorated will not get you anywhere.

If you approach each day with a positive attitude, you will give yourself the best opportunity to make it through the storm.

The clock is ticking, and time is quickly running out. {eoa}

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