

The Benefits of an Economic Recession

Contributed by Steve Gillman
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Same Income + Lower Prices = Wealthier

{bot_wrgoogle}As I write this (early 2009) we are in a deflationary recession. Prices in general are going down, which is very rare, and not likely to last for long. But in any recession there are businesses and whole industries that have to drop prices to sell their products and services. Why not take advantage of that?

If you have the same income, but you get to pay less for some - or many - of the things you buy, you are effectively wealthier. It's like getting a pay raise.

To find the best deals, look to those areas of the economy that have been hit hardest. For example, the price of some vacation packages have been cut in half. Or, if you have been waiting to get a car, this may be the time. Alternately, if you can spend less on necessities, this could be an opportunity to use the savings to start setting aside more for the future, or to pay down debt.

Real Estate Gets Cheaper

Real estate prices are dropping at the moment, but even in recessions that don't lower prices interest rates go down. Either way you have an opportunity to buy a home or other property for less. You might also be able to refinance your current home and lower your payments.

What about the loss of value you suffer on your house? If you are not moving soon, it may not matter. Petition for lower property taxes based on the new lower value. Then wait, and the value will eventually go up again. Also, keep in mind that if you had plans to upgrade, you'll save more on the more expensive home that has dropped 20% in price than you'll lose on yours.

Stocks Get Cheaper

A good recession usually drives down the price of stocks. That certainly has been the case this time. No one can predict with certainty where the stock market will go from here, but you can be sure that if you buy a few good mutual funds when the DOW is at 8,000 you'll be doing better than those who bought near 14,000, right?

If you still have a job or business income, there are some real benefits in an economic recession. If the recession has hit you personally in the form of a lost job or lower business revenue, try to see it as an opportunity to explore new ways of doing things. Maybe you'll find your dream job or discover new ways to grow your business. More than one person has gone from good times to rough times only to find that the path lead to an even better future.

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