Where To Stash Your Cash:
Finding Money In A Pinch

One fail-proof way to recession-proof your business is to have emergency money—money that you can draw on when times are tight so you don't have to go into debt, or ruin your credit rating.

In addition to traditional savings accounts, you have several options. First of all, understand that creating an emergency fund is as necessary as brushing your teeth. Here's some good advice from Deborah Feldman, CFP, president of Leonetti and Associates, a financial services firm based in Buffalo Grove, Illinois. Instead of the traditional three to six months living expenses in a liquid account, she says that six months is the minimum for anyone who is self-employed, and the sole supporter of his or her family.

Where do you put that six months of living expenses? Here are some options.

- **Money market account.** You can find these at most major mutual fund companies and banks, and they usually pay higher interest rates than traditional passbook savings accounts. Many also offer checkbook services, although you may be limited in the minimum amount you can write, such as $500 per check.
- **Commercial paper:** Companies issue commercial paper when they need to borrow money. Typically, commercial paper transactions are short-term loans (due in less than 270 days) that a company gets to make sure it has enough cash. These may pay higher than both savings accounts and money market accounts.
- **Certificates of deposit, or CDs.** You buy these in set amounts, and for a set period of time—common maturity rates are three and six months. For example, you may buy a $2,000 CD that matures in six months, and will pay you 1.7 percent. The good news is that you typically get a higher rate than a savings account, and the federal government insures them for up to $100,000. The downside is that you must hold onto them until the maturity date, or you'll pay a penalty. You can shop for the best rate across the country; for example, try this site [www.bankrate.com] to compare the best deals.
- **Home-equity line of credit.** "The time to get one is when you're making money," Feldman says. "You can tap into it should the need arise—such as a new massage table." The interest is well below prime, so it's cheap money to borrow on a short-term basis. Also, rather than fixed repayment schedule, if times are tight, you can get away with paying just the principal. Her caveat? "Use it only for emergencies, and have a plan in mind to pay it back. Do not use it to maintain day-to-day life. That's why your emergency fund is essential."
- **Store up your non-cash resources as well.** "Just like a stock portfolio, diversify your clientele," she says. "Don't rely on just one or two big clients. Also look at your marketing plan: You should be marketing when times are good. Build a strong base of people you enjoy working with and who will refer clients to you." One other comment? "Try to keep clients with whom you have the longest and strongest relationship. You can try to please everyone, and often the squeaky wheel gets the grease—often you will sacrifice your good clients to satisfy your complaining clients." Instead, she says, try to first service your best clients, the ones who will stick with you when times are tough.
- **Still feeling confused?** Consider consulting a fee-only financial planner to help you sort out your budget, your financial plan and your investing. Contact the National Association of Personal Financial Advisors at [www.napfa.org]. Or, call 800-366-2732 for one in your area.