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Crunch Glossary

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INTRODUCTION

This book suggests various simple, non-burdensome, ways in which you can keep your financial health - at a time when there is a lot of sickness about. We, along with most of the world, are going through recession: incomes, asset values and prices are falling, and the 2009 Budget warned us to expect that UK incomes will contract by 3.5% this year.

After the initial shock, people realise that safety has to be the priority. When you put money in the bank you need to know what will happen if it hits trouble. If you decide to buy shares, you think about ways which will at least protect your initial capital.

You also focus on benefits which seemed less urgent when times were better. You think how to keep down the cost of your holiday abroad, you plan to make the best use of your credit card and you make sure that you are getting the best mortgage deal. You decide to take action over the large amounts which we are all handing over in tax - the higher paid even more from next April - through allowances which we do not claim or a few basic planning steps which we fail to arrange.

But what you must avoid is to think that recession is bound to go on and on. One of the oldest fallacies in finance and politics is to believe that today's conditions will continue indefinitely - that shares and house prices will go on rising (that was a year ago) or that they will carry on falling (that is now).

Already, the experts are starting to mutter about the risks of inflation when recovery gets under way, probably late in 2010. You will lose out if you fail to take sensible precautions during a recession, but you should only re-arrange your basic financial set-up if you genuinely believe that the world has changed.

We are going through the third major recession in 30 years. Most people believe there will be recovery - though no one can tell you exactly when it will start. When that happens, the prizes will go to people who kept alert and stayed flexible: hopefully, the sort of people who will read this book.
