Last week the Fed announced a 0.25% interest rate hike, and signaled up to 6 more rate increases for 2022. While the Fed move is intended to control inflation, given the current geo-political issues, there can be other market and economic impacts.

At Credit and Cents, our thoughts are with the people of Ukraine and all those affected by the war.

The extent of the economic fallout from the unfortunate Russian invasion of Ukraine will depend on the outcome of the war and the duration of the sanctions.

With the waning of the pandemic, the US economy seemed poised to return to some semblance of normalcy. However, Russia's invasion of Ukraine has created a new sense of uncertainty with rising gas prices and risk in the forecast. With the US economy still strong and with low unemployment levels, the Fed has the difficult challenge of trying to control inflation without sacrificing employment and output.

Steps to take right now

Review your personal finances

The experts recommend that you approach this process more from a place of curiosity rather than judgment. This process will help you get an idea of how much you have in both savings and debt. Write down everything you spend on a pad or in a spreadsheet (it may help to use your credit card and debit statements for a month or two).

This process will help you find any debt that can be eliminated or can you find a less expensive way for that expense. Individuals who are borrowing to fund their expenses will be more negatively impacted in a rising-rate environment.

Use our free calculators to help you plan better.

Consolidate debt (pay down debt)

Generally, credit cards will have one of the highest interest rates. Credit card interest rates averaged close to 16 percent (before the Fed rate increase). This means that if you are not paying off your balance in full each month, it is likely one of your expensive funding options.

We suggest you consolidate your outstanding balance with either a personal loan with a fixed rate or get one of our recommended no annual fee Upgrade credit cards which offer fixed APRs for your purchases.

Save for a rainy day

Building a rainy day fund (saving between six to nine months' worth of expenses) is an important part of any financial plan. Saving is more crucial right now because of the risk that Fed's monetary policy could end up slowing down economic growth more than intended.

We recommend creating your savings account with online banks that are offering yields 10 times the national average, and much higher than those offered by the brick and mortar banks.

Boost your credit score

Since financial institutions offer the best rates on their loan products to those with good-to-excellent credit scores, improving your credit score means more than just reducing the interest you pay on credit card debt, it helps you save on all aspects of your borrowing life, including on auto loans and mortgages.

For those looking to rebuild your credit history, there is a no annual fee Sable secured card that helps you move to an unsecured card with responsible use.

Summary

With the current uncertainty facing the economy, we don’t know if the Fed will be able to control inflation without impacting economic growth. But we have it in our control to be prepared financially now by following the above guidelines recommended by the financial planning experts.

Buzz word in the news: *Stagflation* - a situation in which the inflation rate is high, the economic growth rate slows, and unemployment remains steadily high. It presents a dilemma for economic policy, since actions intended to lower inflation may exacerbate unemployment.

Although this is a risk for the US economy most experts don't expect US economy to be in a stagflation environment.

NEW: Read our blog on the Best 2% Cash Back Credit Cards in the market today

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Lifestyle Corner

Money saving deals are still available on amazon.com. Please see below deals from our affiliate partner- amazon.com. Prices and availability are subject to change.

Apple AirPods Pro
$174.98 (was ~~$249~~)
Lowest price in 30 days

Ninja AF150AMZ Air Fryer XL, 5.5 Qt. Capacity that can Air Fry, Air Roast, Bake, Reheat & Dehydrate, with Dishwasher Safe, Nonstick Basket & Crisper Plate and a Chef-Inspired Recipe Guide, Grey

$99.99 (was ~~$159.99~~)

Limited time deal

Instant Pot Duo Plus 6 Quart 9-in-1 Electric Pressure Cooker, Slow Cooker, Rice Cooker, Steamer, Sauté, Yogurt Maker, Warmer & Sterilizer, 15 One-Touch Programs, Stainless Steel/Black
$99.95 (was ~~$119.99~~)
Amazon Best Seller

Lenovo Chromebook Flex 3 11" Laptop, 11.6-Inch HD IPS Display, MediaTek MT8173C, 4GB RAM, 64GB Storage, Chrome OS, Blizzard White
$203.89 (was ~~$319.99~~)
Very limited inventory

Amazon Music Unlimited: 3 months for free @ Amazon
Get access to millions of songs that you can listen to online or offline. Amazon is giving new Amazon Music Unlimited subscribers three months of service for free (instead of 30 days). Cancel anytime.

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