

Consumers Not Prepared For Recession

With figures from the Office for National Statistics showing that the country has slipped into negative economic growth, one independent financial adviser has warned that Britons are not ready for a recession.

October 28, 2008 (FPRC) -- According to the Motley Fool, concerns about the onset of a recession have abounded for a number of months, but even with figures showing that the economy shrank last quarter, many consumers have struggled to protect themselves against a sustained economic downturn. Research carried out by the group has shown that many Britons have found it difficult to put money aside in recent months as food, fuel and energy inflation squeezed household budgets. Of those questioned by the group, 70 per cent had less than one fifth of their monthly income at their disposal after accounting for household expenses.

Meanwhile, one out of seven said that they have no money at all left over at the end of each month, while one in eight stated that their outgoings are greater than their household income. In such a situation, the group warned that making savings to tide people over in the event of a prolonged recession will be difficult for many Britons.

For those who have found financial responsibilities spiralling out of control in recent months, looking into the benefits of debt consolidation loans may be of interest. In spreading out repayments over a longer period of time, consumers may find they are able to alleviate the strain on their monthly income and perhaps put a little aside each month to prepare for disadvantageous circumstances.

David Kuo, head of personal finance at the Motley Fool, warned: "We are only in the early stages of a recession so we have yet to feel the full impact of the economic downturn. Consequently, it is important to tackle our finances head on now before it is too late to do anything about it. Ensuring that we can survive on less than four-fifths of our current income is vital. If you lose your present job through redundancy, your next job could pay precisely that - less than four-fifths of what you now earn. It is, therefore, vital that we cut back on household expenses and start putting money aside immediately."

Furthering this, he urged Britons to re-evaluate their outgoings and cut back on all areas of non-essential spending in an effort to reduce the drain on finances and to allow people to put money aside for circumstances such as job loss. For those who are unable to do so, they may have to rely on cheap loans or credit cards to support them during periods of unemployment.

Mr Kuo concluded by urging people to remember that positive action can help to minimise the impact of a recession, insisting that although employment could come to an end, it need not be the end of the road for financial security.

Consumers may have found it particularly difficult to put money aside as household bills have soared. And figures from the Bank of England published in September show that many consumers fear that inflation may get worse in the year to come. For those who have been unable to keep up with payment commitments, taking out a debt consolidation loan may prove effective in getting finances back on track.

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