

HOW TO BEST AVOID FINANCIAL DISTRESS



BUILD STRONG CASH BUFFERS

Emergency fund: 3-6 months of essential expenses

Have sinking funds for irregular expenses

Keep housing costs around 30% of gross income as a guideline



CONTROL & OPTIMIZE DEBT

Target total debt-to-income (DTI) ratio under ~ 36% of gross income

Refinance or consolidate only when it lowers your APR and doesn't overly extend the term



PROTECT AGAINST SHOCKS

Insurance: health, auto, homeowners/renters, long-term disability

Maintain employability: update skills, certifications, and your resume



MONITOR EARLY-WARNING SIGNALS

Monthly: review cash flow and net worth trends.

Red flags: rising credit card balances, overdrafts, late or missed payments, using credit/BNPL for essentials, shrinking savings