FINANCIAL PLANNING PERSPECTIVES

Resetting your recession-era budget? There may be money in places you haven't checked

Despite small glimmers of light in an otherwise worrisome economic picture, Americans are still losing their jobs and companies are still cutting back. So if you're looking for ideas to raise cash during these tough times, here are a range of things you should try and a few things you should avoid.

Start with a family meeting. Sometimes the best money strategies come from coming clean. A family meeting, where everyone identifies areas where he/she can save a little, is a good first step to finding more solutions. Here's the point: if you want to find cash, the best place to start is by cutting things you and other members of the family don't need. Admitting those things is the first step to saving money.

Find alternate transportation. Take the train or bus, carpool, or if you can, get rid of a car you really don't need. Once you count up your expenses for gasoline, insurance, and maintenance expenses, you'll definitely find a significant pile of cash. And if you decide to keep your car, you should definitely rebid your auto insurance to get a lower rate or to decide whether to drop collision coverage on a paid-off set of wheels.

Find additional income. If you can add hours at work or find a second job, do it. Of course, check with a tax professional or a financial planner to find out if this additional income might put you in a higher tax bracket and therefore defeat the purpose of gathering that income. In most cases, bringing in more cash is a better way to solve a funding problem than liquidating assets.

Tap your emergency fund. Note that we put this item a few notches down because you should always find ways to preserve an emergency fund if you can. As a reminder, every individual or family should have an emergency fund that contains enough money to cover three to six months of living expenses. Oh, and if you don't have an emergency fund and you don't have to pay off debt, it might be wise to redirect the dollars you save into building one.

Sell taxable investments, if they're still at a loss. Again, this is a good reason to consult your tax or financial adviser first, but selling some losing investments might be a good way to raise cash in a hurry. Note that we're not talking about IRAs or any other tax-advantaged accounts. But taxable investments sold at a loss—if they're investments you feel you can live without in the future—might kill two birds with one stone, making your bank account and tax picture healthier.

Ask a family member or a friend for a gift. If you don't feel it will damage your relationship, it might be worth asking if friends or family can offer up to the $13,000 is the annual tax-exempt gifting limit in 2009. Remember that a friend or relative may give an unlimited amount if they write the check directly to a school or hospital, but they should check with their tax advisor and those institutions for the proper way to transfer those funds.

Crack open a CD. You might want to cash in a CD before it's due only if the penalty or lost interest doesn't make a difference to you. Depending on the CD's term, you might end up giving up all the interest you've earned if you've held it only a short time but getting cash in hand might be worth considerably more to you.

Borrow against a whole life policy. If there's cash value on a whole life policy you can borrow against, check it out. The rate will be low and the money's fairly quick—just don't liquidate the policy without checking.

Ideas you should avoid

Withdrawing funds from your IRA. If you're under 59½, you're going to have to pay a 10% penalty and you lose savings momentum. And no, you can't borrow from an IRA; you can only withdraw and pay penalties.

Credit card cash advances and convenience checks. Despite tantalizing zero-percent offers, you'll be paying hefty fees to borrow—anywhere from 2 to 5% of the check amount—in addition to the interest you'll be charged until you pay off the balance.

Payday loans. The interest rates on payday loans can start at 30% and eventually gather fees that can lead to a triple-interest-rate cost for a simple loan of a few hundred dollars.