

Why Aren't People Going on Vacation? - Transcript

Tom Mullooly: In episode 138, we're going to discuss why people aren't going on vacation, so stick around for that. Welcome to the Mullooly asset show. I'm your host, Tom Mullooly, and this is episode number 138. Thanks for tuning in.

52% of Americans are planning to take a vacation this summer. That also means 48% of Americans are not going on vacation this year, or at least not planning to go on it.

Most common reason why they're not going on vacation, can't afford it. Now, here's why they can't afford it. People responded to a bank rate survey, and we'll link to this in the show notes, saying their daily bills are starting to pile up more than what they expected.

Or they want to use money that they have to pay down debts. That's a great thing. 29%, and I'll tell you why it's a great thing, 29% of Americans reported in this survey that they have more credit card debt than they have savings. Not good news. Now, part of it too, just my 2¢ why people may not be going on vacation in 2019, I think a lot of folks in the past used to use their tax refund as part of their vacation money.

Not really happening this year because of the changes in the payroll withholding. And so, we've actually talked about that on a previous video as well. The thing that really got me disappointed when I read all of this information, bank rates' solution, "Hey, go find a credit card that gives you points that you can use for travel in the future." That's a bad idea. Don't do that. We're trying to get you to get out of debt.

But while vacations are nice, this really drives home a more important point. You got any cash? Like cash for an emergency? This is important. And we talk about reducing debt, and building up a savings pool. We've talked in other videos and other blog post about having three months to six months of expenses, but do you have cash? Do you have actual cash you can get your hands on today?

We hate talking about negative things, but let's suppose you have a car accident? You'll have a \$500 deductible, or a \$1000 deductible. You'll have a \$500 deductible if you go to the emergency room. It could be more than that. You're going to have to deductibles that you're going to have to pay for x-rays, and medicine, and prescriptions. Again, do you have cash? Because what most Americans do, is when something unfortunate like that happens, they put this on a credit card. Then they make minimum payments or smaller payments, and then the balances start to snowball, and before you know it, they've got a credit card, they've got a debt problem.

Again, I'll ask the question, do you have some cash? Before you even begin to think about paying down debt, you've got to have some cash. How much cash do you need? Well, just start adding up all of those different deductibles that I just mentioned. It could be \$2000. You've got to have something that's not sitting in your checking account. It's in a segregated account, away from everything else. And yes, it's okay if it doesn't earn any interest.

You have to have that money available to you today or tomorrow, in case of an accident. Then, the next step that we recommend is to take a look at your disability coverage. Maybe you have a disability policy on your own, or maybe you get one through work. Take a look at that. Look for something on the declaration page of your policy that's called The Elimination Period. The Elimination Period is a fancy term for, what's your waiting period? How long do you have to be disabled before you can start to collect on your disability policy?

For instance, social security disability, you have to be disabled for five months before you can start to collect anything. With most disability policies that you get personally or from work, it could be three-month waiting period, it could be sixth-month period. It can sometimes be longer than that, but that's a great indicator to know precisely how long or how much of a safety net you're going to need to build. And having that safety net is really, really important, because you don't want rely on a credit card to bail you out of a short-term problem, and then not work, or have some kind of blockage or impediment to stop you from getting money to pay down these debts.

Have some cash available. Start thinking about that safety net. If you've got questions about this, get in touch with us. That's going to wrap-up 138, thanks for watching. See you next time.