RECESSION

For much of 2022 and the first half of 2023, it may have seemed impossible to read the news without seeing some type of recession warning flash. For months, consumers were grappling with rampant inflation. To cool inflation, the Federal Reserve implemented a series of interest rate hikes that had the potential to lead to a pullback in consumer spending.

But consumer spending has not declined despite those rate hikes and lingering inflation. Retail sales actually rose 0.7% in July, according to the U.S. Commerce Department. And the national unemployment rate, another potential measure of a troubled economy, was only 3.5% in July. Between that and the addition of 187,000 new jobs, alarms certainly aren't sounding.

All told, it's becoming pretty clear that we're not very likely to enter a recession in 2023. Even the Federal Reserve itself said at its late July meeting that it no longer anticipates the mild recession it formerly predicted for late 2023. And that's very much a good thing.

But just because we may not be headed for a 2023 recession doesn't mean you shouldn't prepare for one. We may be able to avoid a near-term downturn, but that doesn't mean one won't occur in the future.

A recession might still be in the cards

The U.S. economy tends to ebb and flow, experiencing periods of growth and eventual slowdowns. When we talk about the possibility of future recessions, we're not necessarily talking about major catastrophic events.

Rather, recessions have the potential to be fairly mild. And some can be fairly short-lived. But they're also an economic event that's to be expected here and there. And sometimes, there's not a lot of warning. So it's best to be in a position where you're recession-ready at all times.

How to get your finances in shape for a recession

The reason so many people worry about recessions is that they have the potential to lead to an uptick in job loss. So one of the best things you can do to prepare for that sort of situation is to build yourself an emergency fund. If you make a point to keep enough cash in your savings account to cover a minimum of three months of essential expenses, you'll be in a better position to get by without a paycheck while avoiding costly debt.

And speaking of debt, shedding high-interest debt is another great way to get recession-ready. If your income isn't monopolized by debt payments, you'll have more to save. And then, if you *do* end up out of a job, you'll have fewer bills to deal with.

It's also a good idea to work on boosting your job skills so you're likely to be more valued at work -- though that's a good thing to do in general, and not just in the context of a recession. The more highly you're regarded, the more job security you might enjoy. And also, you might set yourself up for a nice promotion -- and a pay bump that makes it easier for you to boost your savings and pay down existing debt.

Finally, make a point to review your investments every quarter or so to ensure your portfolio is nicely balanced. Recessions can lead to stock market downturns, but a nice, diversified portfolio could help you avoid massive losses in your brokerage account.

The dire recession warnings economists were sounding for 2023 no longer seem to be in effect. But that doesn't mean a recession won't strike eventually, so do the best you can to be ready for one at all times.