

How to spend the newest stimulus payment

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Billions of dollars of federal relief are being sent to American families right now.

About three quarters of Massachusetts adults can expect a stimulus payment of up to \$1,400.

Greg McBride, Chief Financial Analyst at Bank Rate said more than 40% of households have seen a decline in income since the outbreak of the pandemic.

“There’s widespread need.”

With businesses closing and widespread layoffs, this year has been a financial disaster for many families.

This third round of stimulus payments is a lifeline they’ve been waiting for, according to Dana Levit, a certified financial planner at Paragon Financial Advisors in Natick.

“It’s a huge amount of money for many people,” Levit said. “It’s life changing for many people who are struggling.”

Boston 25 News asked McBride and Levit the best strategies for maximizing the effectiveness of this money.

For families who are really suffering, McBride said to start by talking to anyone who is owed money.

“There are a number of relief options available, but the key is to raise your hand, ask for it. Reach out to your creditors, your mortgage lender, your car lender, your credit issuer and explain your situation.”

Since the Baker Administration extended the moratorium on cutting off utilities and water, experts say to start with other bills.

“Pay the minimums at this point, until you can get on solid ground,” Levit said. “Definitely make the payments, make sure you’re not getting behind and hurting your credit score.”

Some families have taken a financial hit but have not been devastated during the pandemic.

“This is an opportunity to take one to two big steps forward toward financial security,” said McBride. “Look at your emergency savings account. Fewer than 4 in 10 Americans could cover an unplanned \$1,000 expense out of savings so that’s got to be issue number one.”

Consider paying down any credit debt that built up.

“The interest rates are super high,” said Levit. “It does accumulate, starts snowballing, so you do want to keep those in control.”

Finally, working from home saved many jobs and reduced expense for a lot of people. For this group, the stimulus is more like a welcome bonus.

McBride said spending some of it can have a big impact.

“Your spending is someone else’s income and small businesses employ about half of the U.S. labor force, and sadly, a lot of those small businesses that were around last year aren’t anymore.”

Levit said that it’s a little splurge after this past year might be a good idea for many people.

“Absolutely, do all the good financial duties, but actually if you do enjoy yourself a bit, that’s OK, too.”

Another thought is to help a favorite charity. A recent survey found that 38% of non-profits could be out of business in the next two years because of the financial hardships they’ve endured.