Abstract: COVID-19's rapid spread and the economic havoc that followed are vivid reminders of how unpredictable and volatile the broad economy — and each family's personal finances — can be. This article discusses three financial lessons that may be learned from the pandemic.

3 financial lessons of the pandemic

The onset of the COVID-19 pandemic in March 2020 disrupted the personal finances of many families who were negatively affected by job losses, reduced income, sickness and other challenges. This included families across the economic spectrum and workers in a wide range of both blue- and white-collar industries.

The virus's rapid and continued spread — and the economic changes that followed — are vivid reminders of how vulnerable and unpredictable your family's personal finances may be. Now, almost two years later, the pandemic's impact persists. Here are three basic lessons to keep in mind:

1. Don't live above your means. In some ways, this is even more important for high earners than it is for those with more modest incomes. Those with higher incomes sometimes overcommit themselves financially by living a lavish lifestyle.

For example, they may buy large homes in high-end neighborhoods or buy expensive luxury automobiles that stretch their finances. Then, if they experience a financial emergency like a job loss or reduced work hours, they're suddenly unable to afford the lifestyle they've grown accustomed to.

2. Build up an adequate emergency savings fund. By living below your means, you may have extra money each month to build up an emergency savings fund. While every situation is different, many financial experts recommend saving between three- to six-months' worth of living expenses in an emergency fund.

Emergency savings should generally be kept in a liquid savings or money market account. Such an account probably won't generate a high return, but the money will be relatively safe and easily accessible if you need it for an emergency. Search online to find an account that offers the highest yield along with maximum liquidity.

3. Continuously map out a flexible career path. The time to make career contingency plans is before something like a worldwide pandemic disrupts the global economy and eliminates millions of jobs. As the COVID-19 pandemic has shown, what may appear to be a secure job and career can vanish in the blink of an eye.

Some entrepreneurial individuals have turned career setbacks into opportunities by going back to school or starting new businesses. Others have left their jobs to start freelancing and consulting businesses, using their marketable skills and industry contacts to carve out profitable niches for themselves as self-employed professionals. This has driven a phenomenon known as "the Great Resignation."

Maybe you’ve seriously reconsidered your employment situation in recent months. Even if you’ve stayed put, it’s to everyone’s benefit to look carefully at his or her career path and head in a direction that both inspires and offers financial security.

The pandemic has been called a once-in-a-century event. Unfortunately, it feels to many of us as if it’s already lasted a century. Keep these three financial lessons in mind as you continue to adopt to forthcoming challenges and opportunities.

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