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“Not disclosing one's “gayness” is what I call “Don't Act, Don't Tell.””

Mark O'Connell, L.C.S.W.

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## Apologies To Freud

The psychopathology of everyday life.

by Stephanie Newman, Ph.D.

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### Dealing with the Emotional Impact of the Financial Crisis - Part 1

Is worrying about the economy making us sick?

Published on September 14, 2011 by Stephanie Newman, Ph.D. in Apologies To Freud

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The recent market gyrations are enough to cause emotional whiplash.

You don't need to have a substantial portfolio or a high net worth to feel the stress of the current economic crisis. Millions of Americans are out of work, with more layoffs-and pain-imminent. In a cost cutting measure, a major U.S. bank has just announced plans to eliminate tens of thousands of jobs. Other companies may have to follow suit. People lucky enough to have jobs may have seen pay cuts, and personal income has slid to levels not seen since 1996, making it tough for many to meet expenses. Others live with the looming threat of losing their homes to foreclosure.



**Stephanie Newman, Ph.D.**, is a clinical psychologist and psychoanalyst, as well as the author of *Mad Men on the Couch*. [more...](#)

And the news isn't much better for savers, either. The world outlook has caused a flight into United States Treasuries, driving interest rates to the lowest seen since the 1930s. In other words, income and nest eggs have shrunk for many, with some retirees being especially hard hit. This and the threat of cuts to Entitlements like Social Security and Medicare, might also shrink incomes for those with retirement in sight.

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The global economic outlook remains dire. Many have raised questions about Greece's ability to make its debt payments and the solvency of French banks. Other nations in the European union continue to struggle, and India has seen almost double digit inflation-and these are only a few examples. American companies, institutions, municipalities, and individuals that have invested in overseas debt now find themselves at risk of huge financial losses. If no man is an island, our fortunes are tied to those in the developed and developing world.

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Not surprisingly, the recession that just won't budge leaves many feeling stressed out and sick with worry. Doctors and therapists report that they are seeing more stress related complaints, including: migraines, insomnia, and gastro-intestinal illness. One New York City cardiologist who preferred not to be named has noticed an uptick in the presence of irregular heartbeat in patients who work in high- stress fields, such as law and finance.

What, if anything, can people do to cope with their anxiety? How can those of us on the sidelines make sense of and deal with this economic unpredictability and its emotional impact? Talking to a financial professional might help (more on this later). Gathering information also has some utility. Behavioral Economics is an emerging science that might offer some answers.

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The psychology behind the behavior of investors and the financial markets is highly complex and abstruse. In *Money Talks* (full disclosure, I am a co-editor), a collection of papers about the current economy, Dan Grech, a seasoned financial reporter, offers a clear explanation of the fundamentals of Behavioral Economics, and explains some common group-think often seen in the activities of markets and investors ([www.amazon.com/Money-Talks-Therapy-Society-Psychoanalysis/dp/0415...](http://www.amazon.com/Money-Talks-Therapy-Society-Psychoanalysis/dp/0415...)). In other essays, psychoanalysts and therapists discuss the business of practicing in the current era.

But while theories like Behavioral Economics and books about the Great Recession can provide some answers to our questions about what is going on with unpredictable markets and a stagnant economy, they do not

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offer practical strategies or solutions for individuals seeking to navigate difficult financial straits.

What do the experts say? Judy Haselton, CFP, RLP, of Harmony Financial Advisors in Greenwich Village, New York City, advises taking a balanced approach in individual financial dealings, including leaving adequate liquidity to meet major expenses: "Because of the trend of capital markets to move significantly in a short period of time, any major expenses that need to be provided for over the next two years should be kept in money market funds, not in stocks or bonds to help relieve the anxiety created by day to day market gyrations." Most experts advise keeping cash in insured money markets. "Many people make the mistake of buying high and selling low, getting into the market after significant upturns, and reacting to the fear of 'losing it all' during times like the recent market decline. But a portfolio that is designed to achieve goals over the long term doesn't need constant adjusting even in down markets," says Haselton.

For some, waiting it out might be the best approach. "Trying to time the market by buying low and selling high can be an exercise in futility because no one, not even investment professionals, can accurately predict when the markets will move up or down. Investors need to be aware of the cost of making trades and the taxable gains or losses that are created by frequent buying and selling in the portfolio as these transactions can significantly erode portfolio values over time-and selling in a down market might not be the best idea for someone holding a well-designed portfolio," she continues.

Bottom line, at least one expert cautions that when times get stressful, people should not rush to make big decisions or bring about major changes to their financial pictures. Investment strategies should be considered and weighed over the long term, not executed in a state of anxiety. Seeking professional financial advice might also be a useful step to help allay concerns.

Next up in Part 2: Strategies for Handling the Emotional Impact of The Great Recession.



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