What-to-do manual: Economic Crisis

the Americas · Updated on 2026-09-09 · comoactuarencrisis.com

A recession isn't declared the day it starts — it's confirmed months later, with data. In the meantime, what determines how a family fares isn't guessing when it will hit, but already having an emergency fund and knowing what order to prioritize payments in if your income stops. Here is what official economic agencies actually say, with no promises and no investment advice.

Getting ready before a recession

What a recession technically is. The NBER — the authority that officially dates recessions in the United States — defines it as **"a significant decline in economic activity that is spread across the economy and that lasts more than a few months."** It uses three criteria: depth, diffusion, and duration, evaluated using six monthly indicators, including real personal income, nonfarm employment, and industrial production.

> **The "two quarters in a row" myth**
> It is widely repeated that a recession automatically means two consecutive quarters of falling GDP. The NBER itself qualifies that: **"most of the recessions identified by our procedures do consist of two or more consecutive quarters of declining real GDP, but not all of them"** — the 2001 recession was the exception. The official definition is broader than that popular rule.

What inflation officially is. The U.S. Bureau of Labor Statistics (BLS) defines it as **"the overall general upward price movement of goods and services in an economy,"** measured with the Consumer Price Index over a representative basket of goods. It is not that a single product gets more expensive — it is that the general price level rises in a sustained way.

- Don't wait for a recession to be officially announced before you prepare: confirmation always arrives months late.
- Track simple indicators of your local economy: employment, prices for basic staples, and the exchange rate if your country's is volatile.
- Be wary of anyone who promises to "predict" the next crisis with certainty: not even official economists can do that in real time.

Source: NBER — National Bureau of Economic Research (U.S.) — Business Cycle Dating Procedure: Frequently Asked Questions. https://www.nber.org/research/business-cycle-dating/business-cycle-dating-procedure-frequently-asked-questions
Source: BLS — Bureau of Labor Statistics (U.S.) — What is inflation?. https://www.bls.gov/bls/inflation.htm

Cutting expenses

When your income drops, the question is not "how do I spend less" but **"what do I pay first."** And a warning is in order right away: **there is no official mandatory list** that ranks your payments. What financial agencies do publish is a criterion, and that is better than a list, because it adapts to your situation.

> **The official criterion: rank by risk, not by habit**
> The CFPB puts it this way: **"rate the risk of not paying each one, then number them in the order you want to pay them, according to priority."** In other words: you do not pay whoever shouts loudest first, but whatever, left unpaid, would cost you something you cannot get back — your roof, your job, your power. Its own guide says it bluntly: it may not be ideal, but **"this can help you avoid losing your car or home, or having your utilities shut off."**

1. What you need to keep your home and utilities
Rent or mortgage, property tax if you own your home, and utilities: **gas, electricity, water, sewer**. It is the first block in the CFPB's guide because losing your home or your basic utilities makes everything else far more expensive and far harder to undo.

2. What you need to keep or find work
Transportation and child care. It sounds secondary, and it is not: if you stop paying for what lets you get to work, the problem stops being a bad month and becomes lost income.

3. The insurance you need to keep paying
Insurance that protects you from a bigger loss is still cheaper than the loss itself. Canceling a policy to save money is the kind of saving that comes due, expensively, at the worst possible moment.

4. Obligations and debts
Court-ordered obligations — child support, fines — and then other loans and cards. These come last, and that does not mean ignoring them: it means that before you stop paying them, there is something far better to do, and it is in the next section.

About the 50-30-20 rule, so you do not misread it

CONDUSEF publishes the well-known rule: **50% for necessary expenses** — basic utilities, food, and transportation — **30% for wants**, and **20% for savings**, "money that is NOT touched under any circumstances." It is an excellent budgeting guide **in normal times**. In a crisis with your income down, those percentages stop adding up, and the rule above takes over: rank by risk. No one should feel like a failure for not being able to save 20% the month they lost their job.

Source: CFPB — Consumer Financial Protection Bureau (U.S.) — Behind on bills? Start with one step (guide: Your Money, Your Goals).
https://files.consumerfinance.gov/f/documents/cfpb_ymyg_behind-on-bills_print.pdf
Source: CFPB — Consumer Financial Protection Bureau (U.S.) — Official tool for prioritizing bills.
https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_prioritizing-bills_tool.pdf
Source: CONDUSEF — National Commission for the Protection of Users of Financial Services (Mexico) — The 50-30-20 rule (Proteja su Dinero magazine).
https://revista.condusef.gob.mx/wp-content/uploads/2019/06/PDF-s_231_jovenes.pdf

Emergency fund

How much financial fragility there actually is. The Federal Reserve's most recent report on the economic well-being of households (2025 data) found that **12% of adults** in the United States could not cover an unexpected **$400** expense by any means, and **37%** could not cover it using only cash or its equivalent. This is not an exceptional situation: it describes a considerable share of the population, even in a large, developed economy.

A financial regulator's recommendation, not a blog's

Mexico's CONDUSEF recommends an **emergency fund covering 3 to 6 months of expenses**, kept in a **bank account, not as cash at home**, and replenished as soon as it's used. That figure recurs across several financial regulators on the continent for the same reason: it covers the typical time it takes to recover lost income.

- Start with whatever you can, even a fraction of the goal: even a small fund already changes how exposed a family is to an unexpected expense.
- Keep it separate from your everyday spending account so you don't dip into it out of habit.
- Treat it as a goal, not a luxury: the Federal Reserve's figure shows that without one, any unexpected $400 expense can become a crisis.

Source: Federal Reserve Board (U.S.) — Report on the Economic Well-Being of U.S. Households in 2025.
https://www.federalreserve.gov/publications/2026-economic-well-being-of-us-households-in-2025-savings-investments.htm

Source: CONDUSEF (gob.mx) — National Commission for the Protection of Users of Financial Services (Mexico) — Tips for your wallet: emergency fund. https://www.gob.mx/cms/uploads/attachment/file/547098/CONSEJOSPARATUBOLSILLO-170419.pdf

Protecting your income

Call your creditor BEFORE you miss a payment, not after

It is the best effort-to-result advice in this entire guide, and the one almost no one follows, out of embarrassment. The CFPB: **"if you are going to have to miss a payment, try calling your creditors to tell them why. You may be able to make short-term arrangements."** And on your mortgage: **"if you cannot pay, or you are worried about missing a payment, call your lender or loan servicer right away,"** because **"your lenders may be willing to work with you, but you need to be proactive to avoid extra costs, fees, and actions that could hurt your credit history."** The difference between calling before or after is usually the difference between an extension and an account in collections.

- **Ask to move your due date.** The CFPB notes that you can negotiate a new due date to line it up with the day you actually receive your income. It is free, and sometimes it solves the whole problem.
- **Get whatever they offer in writing.** A verbal agreement with a rep who no longer works there tomorrow might as well not exist.
- **Do not take out an expensive loan to pay off a cheap one.** It is the fastest way to turn a hard month into an impossible year.
- **Check what income you can protect:** collect what you are owed, invoice what is pending, and chase those payments before touching your savings.
- **Talk about it at home.** A cutback only one person knows about fails; one the whole family understands holds up.

About the emergency fund, no magic formulas. The "three to six months of expenses" rule circulates widely, and honesty requires saying that **we did not find it stated that way in the CFPB's official guide**. What that agency actually says is more useful if you are stretched thin: **"the amount you need depends on your situation"** and **"even a small amount can provide some financial security."** Its underlying reasoning: without that cushion, a single unexpected expense **"can grow significantly larger than the original bill because of interest and fees,"** because it forces you into debt. Start with whatever you can, even if it is just one week's worth.

Source: CFPB — Consumer Financial Protection Bureau (U.S.) — Behind on bills? Start with one step (guide: Your Money, Your Goals). https://files.consumerfinance.gov/f/documents/cfpb_ymyg_behind-on-bills_print.pdf
Source: CFPB — Consumer Financial Protection Bureau (U.S.) — Start recovering and rebuilding your financial life. https://www.consumerfinance.gov/consumer-tools/disasters-and-emergencies/start-recovering-and-rebuilding-your-financial-life/
Source: CFPB — Consumer Financial Protection Bureau (U.S.) — An essential guide to building an emergency fund. https://www.consumerfinance.gov/an-essential-guide-to-building-an-emergency-fund/

Job loss

When you lose your job, order matters. The U.S. Consumer Financial Protection Bureau (CFPB) recommends this specific order:

1. File for unemployment insurance
If you have access to it, do it right away: the process usually takes time, and every day of delay is money that doesn't arrive.

2. Secure health coverage
Check your options for continuing your insurance, the public marketplace, or health programs available in your country.

3. Contact your housing creditor right away
Or look for rental assistance. Waiting until you're behind is the worst time to start that conversation.

4. Manage student loans or other debts with fixed terms
Many programs offer pause or adjustment options after a job loss, but you have to request them.

5. Prioritize bills by contacting creditors before you stop paying
The CFPB is clear: "your creditors might be willing to work with you." Being proactive avoids extra charges and protects your credit history.

6. Review your expenses and your credit report
Adjust what you can cut, and check for errors that could make your situation worse.

Withdrawing retirement savings, as a last resort
The CFPB places this as the last option on this list, not the first. Withdrawing pension or retirement funds carries costs and penalties that can weigh more heavily in the long run than the immediate problem. Use it only once every other option has been exhausted.

Informal employment, the other side of this kind of crisis in the Americas. According to the ILO, informal employment accounted for **35.4% of total employment in the Americas in 2024**, with an enormous gap: **51.7% in Latin America and the Caribbean** versus **8.7% in North America**. In Brazil, the IBGE recorded an informality rate of **38.1%** in 2025 — 13.8 million people without a formal contract. That gap matters because someone working without a contract usually has less access to unemployment insurance and formal credit — exactly what's needed most after losing income.

Source: CFPB — Consumer Financial Protection Bureau (U.S.) — What to do about unexpected job loss. https://www.consumerfinance.gov/consumer-tools/unexpected-job-loss/
Source: ILO — International Labour Organization — Regional statistical profile of informality in the Americas. https://www.ilo.org/sites/default/files/2025-01/Americas_Informality%20Regional%20statistical%20profile.pdf
Source: IBGE — Brazilian Institute of Geography and Statistics — Continuous PNAD 2025: unemployment and underutilization rate. https://agenciadenoticias.ibge.gov.br/agencia-sala-de-imprensa/2013-agencia-de-noticias/releases/45759-pnad-continua-em-2025-taxa-anual-de-desocupacao-foi-de-5-6-enquanto-taxa-de-subutilizacao-foi-14-5

Inflation and purchasing power

What it actually is. The Bank of Mexico defines it as **"the sustained and widespread increase in the prices of goods and services in an economy over time."** The two words that matter are *sustained* and *widespread*: tomatoes going up for one week is not inflation; everything going up, month after month, is. That central bank's constitutional mandate is precisely to preserve **"the purchasing power of the national currency,"** which is the technical way of saying your money keeps buying the same amount.

The concept that tells you whether you are actually worse off: real wages
Your nominal wage is the number on your paycheck. Your **real wage** is that number adjusted for how much prices rose, and it is the only one that tells you whether you can buy more or less than before. That is why a 5% raise with 8% inflation **is a loss**, even though the paycheck says more. The ILO documented just how harsh that gap can be: in Latin America and the Caribbean, real wage growth **fell to –1.4% in 2021 and to –1.7% in the first half of 2022** (figure from that report; the numbers are updated every year).

Where things stand. According to ECLAC's Preliminary Overview, using data through November 2025, between February and September 2025 **"the region's median inflation fell by roughly half, down to 1.8%,"** driven by falling international food and energy prices and the normalization of supply chains. Be careful not to misread that number: it is a **median across countries**, not an average, and not your own country's figure. Always check the number from your own central bank or statistics agency.

What works at home when prices rise
Swap brands for cheaper equivalents, buy in bulk whatever does not spoil, plan the week's menu before you go to the store — shopping without a list is where the money disappears — and compare unit prices, not package prices. None of this is glamorous, and all of it works.

What to check in your accounts
Subscriptions that renew themselves, services you signed up for and no longer use, and installment purchases with high interest. In inflation, expensive debt hurts twice as much, because the payments keep coming while your purchasing power falls.

What NOT to do
Panic-buying in bulk — it drives prices up further and sometimes just spoils — and believing anyone who offers to "protect you from inflation" with a high fixed return. That last one has its own warning in the devaluation section, and it is worth reading.

Source: Bank of Mexico — Monetary policy and inflation. https://anterior.banxico.org.mx/divulgacion/politica-monetaria-e-inflacion/politica-monetaria-inflacion.html
Source: ILO — International Labour Organization — Global Wage Report 2022-2023 (real wage decline). https://www.ilo.org/es/resource/news/el-aumento-de-la-inflacion-acarrea-una-drastica-caida-en-los-salarios
Source: ECLAC — Economic Commission for Latin America and the Caribbean (UN) — Preliminary Overview of the Economies of Latin America and the Caribbean 2025. https://www.cepal.org/en/publications/84460-balance-preliminar-economias-america-latina-caribe-2025

Currency devaluation

Colombia's Banco de la República explains why it happens: **"it generally occurs because there is no demand for the local currency, or because demand for foreign currency exceeds its supply."** Translated to the kitchen table: it takes more local money to buy the same dollar, and everything that comes from abroad — or is made with inputs from abroad — gets more expensive.

What gets more expensive first
Imported products, because according to the same source **"they lose competitiveness because they have to be sold at a higher price."** Electronics, spare parts, imported medications, agricultural inputs, and anything that uses components from abroad. The effect does not hit the same day: it hits once the inventory bought at the old price runs out.

Foreign-currency debt, the serious trap
Banco de la República says it plainly: people with debt in dollars **"will need more local-currency funds to pay off the same amount of debt."** If your income is in local currency and your debt is in dollars, a devaluation raises your payment without you having done anything. Before you take on debt in a currency you do not earn, that is the question to ask yourself.

Who can come out ahead
Whoever sells abroad or gets paid in foreign currency: exporters, inbound tourism, and services or remote work billed to clients abroad. It is no comfort for most people, but it is a real clue for where a small business might redirect itself.

Devaluation is peak season for financial fraud
When the currency moves, "opportunities" to protect yourself start showing up. The SEC publishes the warning signs that give them away, and the first is the most useful: **"the promise of a high rate of return, with little or no risk, is a classic warning sign of investment fraud."** The other two: **unregistered sellers** — "always check whether the person offering to sell you an investment is registered" — and **pressure to decide right now**: **"no reputable investment professional should pressure you into an immediate decision."** If someone offers you all three at once, it is not an opportunity: it is the scam.

Source: Banco de la República (Colombia) — Devaluation (Banrepcultural Encyclopedia). https://enciclopedia.banrepcultural.org/index.php/Devaluaci%C3%B3n
Source: SEC — U.S. Securities and Exchange Commission — Five warning signs of investment fraud. https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-alerts/updated-4

Business under pressure

The line every business owner should have taped to the wall

The SBA puts it without dressing it up: **"even profitable businesses can fail if they do not have the right amount of cash available at the right time."** It defines cash flow as the combination of money coming in and going out **and, critically for day-to-day operations, the timing of those movements**. That is why a business with good sales can still shut down: it did not lose money, it ran out of cash the day payroll was due.

1. Look at the calendar before the bottom line

Track, week by week, how much comes in and when, and how much goes out and when. Most of the scares show up here, not on the income statement: you discover the problem is not selling more, it is getting paid sooner.

2. Collect faster and pay slower, in that order

Shorten collection terms, ask for deposits, offer a small discount for immediate payment, and chase overdue accounts without hesitation. On the other side, renegotiate terms with suppliers **before** you miss a payment: same logic as with the bank — the early conversation is worth more than the later apology.

3. Cut what does not generate revenue, not what does

It is tempting to cut advertising and sales staff because they are visible expenses. It is usually the exact opposite of what makes sense: cut what does not touch the customer.

4. Stop financing whoever does not pay

A customer who does not pay is not a customer, it is a loan you never chose to make. In a crisis, that kind of receivable is what sinks otherwise healthy businesses.

5. If you have to close, close in an orderly way

It's the part nobody wants to read, and the one that prevents the most problems. The SBA describes the formal closing process: agree on it among partners if there are any, **file the legal dissolution** — skipping this leaves the owner exposed to **"taxes and filing requirements that continue"** — **cancel registrations, permits, licenses, and business names**, meet your labor obligations, settle taxes, and keep your records. Closing properly leaves the door open to start again; closing by running away leaves debts that follow you for years.

An honest note about what we did **not** find: we looked for an official standard saying *when* it makes sense to close instead of taking on more debt, and it does not exist. The SBA documents **how** to close, not when. That decision is still yours to make, and it is better made with an accountant and your cash flow in front of you, not during a sleepless night.

Source: SBA — U.S. Small Business Administration — Business financial strategy: financial statements and growth decisions. https://ascent.sba.gov/8d/4b/6855ceed413ca6384044018eb2f6/your-business-financial-strategy-2-3-financial-statements-business-growth-decisions-tool.pdf
Source: SBA — U.S. Small Business Administration — Close or sell your business. https://www.sba.gov/business-guide/manage-your-business/close-or-sell-your-business

Money and income

Cash in small bills: the detail people discover too late

Ready.gov recommends it for a concrete reason: **"it is important to keep small bills on hand because ATMs and credit cards may not work during a disaster"**, right when you need to buy supplies, fuel, or food. No power means no card reader, and without a card reader a large bill is useless if no one has change.

The documents you need to protect today

The official recommendation is to keep insurance policies, deeds, property records, and other important papers **in a safe place outside the house**. FEMA publishes the **Emergency Financial First Aid Kit** for this, organized into four sections: household identification, financial and legal documentation, medical information, and contacts. Its rule for paper: **a fireproof and waterproof box or safe**, a bank safe-deposit box, or in the hands of someone you trust. For digital files: **password-protected files** on an external drive or in secure storage outside the home. And if you pay everything online, print your account records periodically.

An emergency fund, even a small one

The CFPB avoids magic formulas: **"the amount you need depends on your situation"**, but **"even a small amount can provide some financial security"**. Its underlying argument is the one that matters: without that cushion, a single unexpected expense **can grow far larger than the original bill through interest and fees**, because it forces you to rely on credit.

After the disaster come the people who rob you with paperwork

The CFPB describes the exact pattern: **"be wary of contractors who go door to door and of people who offer unsolicited 'opportunities' or use high-pressure tactics to force you to decide on the spot"**. Its concrete rules: **never pay by wire transfer, gift card, cryptocurrency, or cash**, because that makes it harder to get your money back; **do not make the final payment until the work is finished to your satisfaction**; and always ask **"can you show me your ID and your contractor's license?"** and **"can you give me three recent references from this area?"**. One fact that cuts off many scams at the root: **no FEMA worker or federal or state official ever asks for or accepts money**. Scammers pose as government employees, insurance adjusters, police officers, or bank employees.

Source: Ready.gov · FEMA (U.S.) — Financial Preparedness. https://www.ready.gov/financial-preparedness
Source: FEMA · Operation Hope (U.S.) — Emergency Financial First Aid Kit (EFFAK). https://www.fema.gov/sites/default/files/documents/fema_effak-toolkit.pdf
Source: CFPB — Consumer Financial Protection Bureau (U.S.) — How to Avoid Scams and Fraud After a Disaster. https://www.consumerfinance.gov/ask-cfpb/how-do-i-avoid-scams-and-fraud-after-a-disaster-en-1529/

Family plan

A family plan is not a pretty document: it is a handful of agreements made **today**, while everyone is calm, so you do not have to decide with your heart racing and no signal on your phone. It takes one conversation over the table and fits on a sheet of paper stuck to the refrigerator.

1. Decide where to meet, in two different places

One near home, for getting out quickly, and another outside the neighborhood, in case you cannot get back to the area. Everyone should know both by heart, children included, and it should not depend on anyone having a phone handy.

2. Name an out-of-area contact

One person in another city that everyone texts when they can. That person gathers information and passes it along, so no one has to go out looking for anyone else. It works because local lines get overloaded first, and because a text gets through where a call does not.

3. Assign responsibilities to specific people
Who grabs the emergency bag, who shuts off the gas and power, who helps the older person or someone with reduced mobility, who gets the pets out. A task with no owner is a task no one does.

4. Keep the list on paper
Phone numbers for family, the out-of-area contact, the doctor, the school, insurance, and emergency services. On paper, in the emergency bag, and in your wallet. A phone with a dead battery has no address book.

5. Practice it once
A fifteen-minute drill reveals what the conversation does not: that the emergency bag was buried in the closet, that no one knows where the gas shutoff is, that the child does not remember the meeting point. Repeat it at least once a year and whenever something important at home changes.

Talk to children without scaring them

Explaining what might happen and what you will do reduces fear instead of adding to it: panic comes from not knowing, not from knowing. Tell them the plan like a routine —"if this happens, we go there and meet mom"—, let them help pack the emergency bag, and tell them clearly that **if they are at school, the school takes care of them and no one comes running to get them**. And do not forget the pets: they are part of the plan too, with their food, water, and carrier.

Source: FCC and FEMA (U.S.) — Tips for Communicating During an Emergency. https://www.fcc.gov/sites/default/files/fcc-fema_tips_for_communicating_during_an_emergency.pdf
Source: Ready.gov · FEMA (U.S.) — People with Disabilities. https://www.ready.gov/es/discapacidad
Source: Ready.gov · FEMA (U.S.) — Financial Preparedness. https://www.ready.gov/financial-preparedness

Food and water

The water number you need to memorize

The CDC sets it without ambiguity: **at least 1 gallon (3.8 liters) per person per day, for 3 days**. Ready.gov adds the nuances that save whoever heeds them: **"children, nursing mothers, and sick people may need more"**, and **"with very high temperatures, water needs can double"**. If someone in your home is pregnant, sick, or you live in a hot climate, that number is a floor, not a target.

How to store it so it works when you need it
The CDC calls for **approved food-grade containers** with a tight-fitting lid, made of a sturdy, unbreakable material —**never glass**— and with a narrow mouth for pouring. An explicit warning: **never use a container that has held toxic chemicals** such as bleach or pesticides. And what almost everyone forgets: **stored water should be replaced every 6 months**. To disinfect the container before filling it, use a teaspoon of unscented household bleach per liter of water, wait 30 seconds, and pour it out.

What food to keep on hand
Ready.gov recommends **several days of non-perishable food** and gives a concrete list: ready-to-eat canned meats, fruits, and vegetables **—and a can opener—**, protein or fruit bars, dry cereal or granola, peanut butter, dried fruit, canned juices, and pasteurized long-life milk. The rule when putting it together is simple: food your family will actually eat, that needs no cooking, and that you can rotate before it expires.

No power, the food clock is running: 4 hours and 48 hours

The official figures come from FoodSafety.gov, part of the USDA: **a refrigerator keeps food safe for up to 4 hours** if you do not open it, and **a full freezer holds for about 48 hours (24 if half full)**. The discard threshold: any perishable food —meat, poultry, fish, eggs, leftovers— that has been **at 4 °C (40 °F) or above for 2 hours or more must be thrown out**. A full freezer holds twice as long as a half-full one, so filling the empty space with bottles of water before a forecast storm is money saved. And the line every agency closes with: **"when in doubt, throw it out"**. Do not taste it to find out.

- Keep the refrigerator and freezer **closed**: every time you open one, you waste hours of stored cold.
- **Throw out any food that has touched floodwater**, even if the container looks intact. This is an explicit Ready.gov instruction.
- Keep a manual can opener. It is the item people forget most, and without it your pantry is useless.
- If you buy bottled water, keep it **sealed in its original container**, in a cool, dark place.

Source: CDC — Centers for Disease Control and Prevention (U.S.) — How to Create and Store an Emergency Water Supply. https://www.cdc.gov/water-emergency/about/how-to-create-and-store-an-emergency-water-supply.html

Source: Ready.gov · FEMA (U.S.) — Water. https://www.ready.gov/water

Source: FoodSafety.gov · USDA and HHS (U.S.) — Food Safety During a Power Outage. https://www.foodsafety.gov/food-safety-charts/food-safety-during-power-outage

Source: Ready.gov · FEMA (U.S.) — Food. https://www.ready.gov/food

Diversifying income

The ILO defines multiple job-holding simply: **"it occurs when a person works at more than one job at the same time."** In Latin America it is a widespread reality, and often it is not ambition, it is arithmetic. The useful question is not whether a second income source makes sense, but **which one to pick so it does not consume you**.

Start with what you already know how to do

The second income source most likely to work is one that uses a skill you already have and a client who already knows you. Learning a new trade from scratch while holding down a job is possible, but it is the long road: save it for when the urgency has eased.

Favor what does not require inventory

Services, repairs, tutoring, caregiving, errands. If it does not work out, you lose time, not capital. That detail is the difference between a failed attempt and a debt.

Diversify for real, not just on paper

Two incomes that depend on the same sector fall together: if you work in tourism and your side income also depends on tourism, you have not diversified anything. Look for a second source that answers a different kind of demand than the first.

Protect your time and your health — they are the real capital

A second job that leaves you unable to sleep ends up costing you the first one. Set a weekly hour limit from the start, and check honestly, a month in, whether it is holding.

The two phrases that give away a job scam

The FTC publishes them, and they are enough to rule out most scams: **"honest employers, including the federal government, will never ask you to pay to get a job."** And the second, which catches a lot of people: **"if you get a job offer that involves depositing a check and then using part of the money for any reason, it is a scam."** Add to that the classic pyramid scheme — where the income comes from recruiting people, not from selling something to an actual customer — and you have covered almost the entire catalog of fraud that blooms during a crisis.

Source: ILO — International Labour Organization — Multiple job-holding: statistical definition. https://www.ilo.org/media/314361/download
Source: FTC — U.S. Federal Trade Commission — Job scams. https://consumer.ftc.gov/articles/job-scams

What you can sell

In a recession people don't stop spending: **they change what they spend on**. Aspirational purchases and anything that can be postponed drop first; what holds up is what avoids a bigger expense, what replaces something pricier, and what people need no matter what. That's the compass for deciding what to offer.

What avoids a bigger expense
Repairing appliances, shoes, clothing, and furniture; preventive maintenance for cars, motorcycles, and bicycles; fixing leaks and roof drips; sharpening tools and knives. The sales pitch is arithmetic and verifiable: **it costs less than replacing it**.

What replaces something pricier
Meals prepared by the portion instead of a restaurant; house-call haircuts; private tutoring instead of a learning center; inspected secondhand goods instead of new ones; coffee and bread made at home. Here you're not competing on top-tier quality but on **price-to-result ratio**.

What people need no matter what
Basic foodstuffs, childcare and eldercare, transportation, medications, health services, laundry, school supplies. These markets shrink very little because they can't be postponed.

What people sell when they need cash
If what you're after is selling your own stuff rather than setting up a service: tools you don't use, electronics, bicycles, furniture, and appliances in good condition. Practical tip: **sell what depreciates fast first** — electronics — and hold on to your tools, since those are exactly what can earn you income.

Watch out for what gets pitched to you at this stage
Economic crises are high season for pyramid schemes, "businesses" that require buying inventory up front, and promises of guaranteed returns. One simple rule filters out almost all of them: if the income depends on recruiting people rather than selling something to an end customer, it isn't a business. And no legitimate investment guarantees a high fixed return.

Raising prices because people are desperate can be illegal
When a state of emergency is declared, many countries limit by law how much the price of basic goods can rise. In **California**, the limit is **10% above the pre-emergency price** for 30 days —and **180 days for repair and cleanup services**—, with penalties of up to one year in jail and a $10,000 fine. **Texas** does not set a fixed percentage but penalizes "exorbitant" pricing with fines of up to $20,000 per violation. In **Mexico**, the Ley Federal de Protección al Consumidor (Federal Consumer Protection Law) requires sellers to honor the price offered and any maximum prices set by authorities, and PROFECO can impose fines. In **Brazil**, the Código de Defesa do Consumidor (Consumer Defense Code) prohibits "raising a price without just cause." Charging a fair price for hard work is legitimate; taking advantage of desperation is not.

Source: ILO — International Labour Organization — Labour Overview of Latin America and the Caribbean 2025 (executive summary). https://www.ilo.org/sites/default/files/2025-12/Executive%20Summary_Labour%20Overview%202025_LAC_ILO.pdf
Source: PROFECO — Federal Consumer Protection Agency (Mexico) — Ley Federal de Protección al Consumidor (Federal Consumer Protection Law), articles 7, 8, and 128. https://www.profeco.gob.mx/juridico/pdf/Ley_fed_protec_consum.pdf
Source: California Attorney General (USA) — Price gouging during declared emergencies. https://oag.ca.gov/consumers/pricegougingduringdisasters
Source: Presidency of the Republic (Brazil) — Código de Defesa do Consumidor (Consumer Defense Code), art. 39, X (raising prices without just cause). https://www.planalto.gov.br/ccivil_03/leis/l8078compilado.htm

Businesses and self-employment

It helps to start with one figure to size up what we're talking about: according to the ILO, informality **affects nearly half of the employed population of Latin America and the Caribbean, around 47%**, with huge differences between countries — under 30% in Uruguay and Chile, over 70% in Bolivia and Peru. For millions of families in the region, "looking for a job" and "starting something on your own" are the same sentence. What follows is not a promise of income: it is a map of what people actually do when a crisis hits, with the requirements and the risks laid out plainly.

A business in a recession is judged on three things: **how much you need to start, how long it takes to get paid, and what happens if it doesn't work out**. What follows is ordered by increasing investment, and every option can be started while you keep another job.

1. Start by selling time and skill, not product
Cleaning, caregiving, errands, private tutoring, simple repairs, gardening, laundry. These require no inventory, so if it doesn't work out you lose no capital — only time. It's the cheapest way to find out whether there's real demand in your area before you commit money.

2. Charge properly from your very first client
Calculate your price by adding up materials, transportation, hours, and a margin — don't just copy your neighbor's rate. Collect a deposit whenever materials are involved, and put the price in writing, even if it's just a text message. Most self-employment ventures that fail don't fail from lack of clients — they fail from charging below actual cost.

3. Keep the business's money separate from the household's
From day one, even if it's just two envelopes or two accounts. Without that separation, it's impossible to know whether the business is turning a profit or you're simply spending down your working capital. This site's tracking template exists exactly for that.

4. Reinvest in tools before you reinvest in image
A tool expands what you can charge for; a nice logo doesn't. Buy the tool that lets you accept the work you currently have to turn down, and do it with income you've already earned, not with debt.

5. Only then consider growing or taking on credit
Once you have recurring clients and separate accounts, credit stops being a gamble and becomes a tool. Before that, borrowing to get started turns a bad month into a years-long problem.

If you recently lost your job
Before setting anything up, check this guide's job-loss section: there are financial steps worth taking first. Self-employment launched out of panic and with your last available dollars has a much worse track record than the same venture launched with a month's cushion and your accounts in order.

If you still have your job but fear losing it
This is the best possible time to start something small on the side: you can afford to make mistakes without the whole house coming down. Diversifying your income while you still have a stable one is different — and far safer — than improvising once you no longer have it.

If you already have a business and it's under strain
The priority isn't selling more but sustaining cash flow: get paid faster, renegotiate terms before you fall behind on payments, cut what generates no income, and stop financing clients who don't pay. A profitable business can still close for lack of liquidity.

If you are going to sell food, this is mandatory

In Mexico, **NOM-251-SSA1-2009** is mandatory for anyone who processes food intended for the public; it requires **hygiene training at least once a year** and requires that anyone with a cough, diarrhea, vomiting, fever, or hand wounds be kept away from food handling. In addition, food establishments must file the **Aviso de Funcionamiento** (Notice of Operation) with COFEPRIS, which is free of charge. In the United States, the FDA's Food Code is explicit: you cannot operate a food establishment **without a valid permit** from the local authority. Find out what your municipality requires before you sell your first plate of food, not after.

United States — SBA disaster loans

For areas with a declared disaster. The **Economic Injury Disaster Loan (EIDL)** provides working capital for affected small businesses and nonprofit organizations; the **physical damage loan** covers losses not covered by insurance. Combined cap of **$2 million**, interest **not exceeding 4%** if you cannot obtain credit elsewhere, terms of up to 30 years, and the first payment deferred 12 months. There is also a line for homeowners (up to $500,000) and for renters for personal property (up to $100,000).

Mexico — what actually exists today

FONDEN stopped taking on new commitments on January 1, 2021. What operates today in emergencies is **PAEAN**, run by Civil Protection, and it is worth knowing exactly what it is and is not: it delivers **relief supplies** — food kits, water, blankets, roofing sheets, cleaning materials — when a state's own capacity is overwhelmed. **It is not a reconstruction fund or a loan for your business.** For capital, look at state, municipal, or development-bank programs, always verifying on the official website: fraud schemes that use its name circulate around these programs.

Brazil — Pronampe for micro and small businesses

A credit line for **microenterprises** (annual revenue up to 360,000 reais) and **small businesses** (from 360,000 to 4.8 million). The amount can reach up to **60% of the previous year's gross revenue** for businesses with more than one year in operation, and up to 50% for new ones. The maximum rate is the SELIC rate plus up to 6% per year.

An honest warning about everything above

None of this guarantees income. These are activities other people have made work, described with their requirements, costs, and risks so you can decide with real information. How much you earn depends on your area, your time, your network of contacts, and factors that neither you nor this site controls. Distrust anyone who promises you a specific figure.

Source: Diario Oficial de la Federación (Mexico) — NOM-251-SSA1-2009, hygiene practices for food processing. https://dof.gob.mx/normasOficiales/3980/salud/salud.htm

Source: FDA — Food and Drug Administration (USA) — FDA Food Code 2022, Chapter 8 (permit required). https://www.fda.gov/media/164194/download

Source: SBA — Small Business Administration (USA) — Economic Injury Disaster Loans. https://www.sba.gov/funding-programs/disaster-assistance/economic-injury-disaster-loans

Source: SSPC — National Civil Protection Coordination (Mexico) — Guidelines for the Program for Emergency Response to Natural Hazards (PAEAN). https://sidof.segob.gob.mx/notas/docFuente/5626632

Source: Federal Government (Brazil) — Novo Pronampe — credit for micro and small businesses. https://www.gov.br/memp/pt-br/programa-acredita/novo-desenrola-brasil/novo-pronampe

Economic recovery

Recessions end, and it is worth knowing how that end gets declared, so you are not left waiting for an announcement. The NBER, which officially dates business cycles in the United States, marks the end with the **trough**: the point at which activity **"reaches a low point and begins to rise again over a sustained period."**

The fact that changes how you wait

The NBER's committee **"waits long enough to avoid any doubt about the existence of a peak or a trough,"** and its announcements have come **between 4 and 21 months after** the actual turning point. Read that as: **by the time they finally say the recession is over, it has been over for months**. If you wait for the headline to act, you are already late. What you need to watch are your own signals — your customers coming back, your income stabilizing, you no longer having to cut — not the news.

1. First, rebuild the cushion

Before you get back to your old standard of living, rebuild your emergency fund. The CFPB explains exactly why: without that cushion, an unexpected expense **"can grow significantly larger than the original bill because of interest and fees,"** because it forces you into debt. A small fund gives you back something income alone does not: no longer having to improvise.

2. Next, attack the most expensive debt

Not the biggest one, or the oldest one: the one with the highest interest rate, the one that grows on its own while you sleep. And if you got a deferral during the crisis, check exactly how it was set up: many deferrals postpone without forgiving, and it pays to know exactly what you owe.

3. Keep the habits that saved you

The planned menu, comparing prices, the canceled subscriptions, keeping business accounts separate. Keeping them up for a year after the crisis is what turns the scare into net worth.

4. Keep the second income source too

The temptation, once things improve, is to drop it and go back to depending on just one. If you can keep it going even at half capacity, the next crisis finds you standing on two legs instead of one.

5. And write down what you learned

What hurt, what saved you, what you would do differently. It sounds sentimental, and it is purely practical: in a few years you are going to need exactly that list, and you will not remember it.

Source: NBER — National Bureau of Economic Research (U.S.) — Business Cycle Dating Procedure: Frequently Asked Questions. https://www.nber.org/research/business-cycle-dating/business-cycle-dating-procedure-frequently-asked-questions

Source: CFPB — Consumer Financial Protection Bureau (U.S.) — An essential guide to building an emergency fund. https://www.consumerfinance.gov/an-essential-guide-to-building-an-emergency-fund/

Related articles

Three American economic crises, and what they left behind.

Great Recession, December 2007 to June 2009 — United States

The NBER dates it precisely: **18 months**, **"the longest of any recession since World War II."** Unemployment reached **10.2% in October 2009**, according to the BLS — the highest rate since April 1983. **The lesson:** crises that start in the financial system can take years to fully show up in employment, long after the headlines say it is "over."

The Mexican crisis of 1994-1995, the "Tequila Effect"

GDP at constant prices fell **6.9% in 1995**, according to the Bank of Mexico. The urban open unemployment rate rose from **3.7% in 1994 to 6.2% in 1995**, according to the INEGI. **The lesson:** a devaluation can turn into a deep recession within months, not years, when it hits an economy carrying short-term debt in foreign currency.

The Argentine crisis, 2001-2002
According to the World Bank, GDP fell **10.9% in 2002** — more than a 20% cumulative decline from its 1998 peak. Urban unemployment reached **22% in May 2002**. Poverty rose from **37% in October 2001 to nearly 58% in October 2002**, and extreme poverty from 6% to 28%. **The lesson:** when an economic crisis deepens, social deterioration can outpace any recovery measure, which makes having a cushion in place before it starts even more important.

Related guides on this site:

- Food crisis — stretching your food budget.
- Supply crisis — when the problem is not just money.

Source: NBER — National Bureau of Economic Research (U.S.) — Business Cycle Dating Committee Announcement (Great Recession). https://www.nber.org/news/business-cycle-dating-committee-announcement-september-20-2010
Source: BLS — Bureau of Labor Statistics (U.S.) — The Employment Situation, November 2009. https://www.bls.gov/news.release/archives/empsit_11062009.pdf
Source: Bank of Mexico — Bank of Mexico Annual Report (1994-1995 crisis). https://www.banxico.org.mx/publicaciones-y-prensa/informes-anuales/%7B2F0AA570-18A3-4217-89E1-9D64A8959F26%7D.pdf
Source: INEGI — National Institute of Statistics and Geography (Mexico) — Historical statistics of Mexico: employment. https://inegi.org.mx/contenidos/productos/prod_serv/contenidos/espanol/bvinegi/productos/integracion/pais/historicas10/Tema5_Empleo.pdf

Frequently asked questions

Is a recession always two straight quarters of falling GDP?
Not exactly. The NBER, the authority that officially dates recessions in the United States, clarifies that most recessions do consist of two or more consecutive quarters of declining real GDP, but not all of them: the 2001 recession was the exception. The official definition is broader and uses six monthly indicators, evaluating the depth, diffusion, and duration of the economic decline.

What expenses should I pay first if I am short on money?
The CFPB recommends ranking payments by rating the risk of not paying each one, rather than following a fixed list. In its guide, the first block is what you need to keep your home and utilities (rent or mortgage, gas, electricity, water); then what you need to keep or find work, such as transportation and child care; then insurance; and last, court-ordered obligations and other debts and cards.

How much money should I have in an emergency fund?
Mexico's CONDUSEF recommends an emergency fund covering 3 to 6 months of expenses, kept in a bank account rather than as cash at home, and replenished as soon as it's used. The U.S. Federal Reserve found that 12% of adults could not cover an unexpected $400 expense by any means, which shows how exposed a family is without that cushion.

What do I do if I will not be able to pay rent or my mortgage this month?
Call your creditor before you miss a payment, not after. The CFPB recommends contacting your lender or loan servicer right away and explaining the situation, because they may be willing to make a short-term arrangement, and being proactive avoids extra costs, fees, and damage to your credit history. You can also negotiate moving your due date to match the date you receive your income.

What should I prioritize first if I lose my job?
According to the U.S. Consumer Financial Protection Bureau (CFPB), the recommended order is: file for unemployment insurance if you have access, secure health coverage, contact your housing creditor right away or look for rental assistance, manage loans with fixed terms, prioritize bills by negotiating with creditors before you stop paying, and review your expenses and credit report. Withdrawing retirement savings is left as a last resort.

What is inflation, and why does it affect me if I got a raise?
The Bank of Mexico defines it as the sustained and widespread increase in the prices of goods and services over time. It affects you even with a raise because what matters is your real wage — that is, your wage adjusted for the rise in prices: a 5% raise with 8% inflation means you can buy less than before, even though the paycheck shows a bigger number.

How does a devaluation affect me if I do not hold dollars?
It affects you in two ways. First, imported products go up in price, because according to Banco de la República they have to be sold at a higher price; that includes electronics, spare parts, imported medications, and inputs. Second, if you have debt in foreign currency and your income is in local currency, you will need more local money to pay off the same debt, even though nothing on your end has changed.

Why can a business with sales still go under?
Because of a cash shortage. The SBA explains it this way: even profitable businesses can fail if they do not have the right amount of cash available at the right time, because what matters is not just how much comes in and goes out, but when those movements happen. A business can have strong sales on credit and still have nothing to pay payroll with the day it is due.

Why should you keep cash on hand for an emergency?
Because ATMs and card readers depend on electricity and network access, and they tend to stop working right when you need to buy water, fuel, or food. Ready.gov recommends keeping a small amount of cash at home, in a safe place and in small bills, since change may not be available during an emergency.

How can you tell if a contractor offering to repair your house is a scam?
The CFPB flags as red flags going door to door, offering unsolicited opportunities, or pressuring you to decide on the spot. It recommends never paying by wire transfer, gift card, cryptocurrency, or cash, not making the final payment until the work is finished to your satisfaction, and asking for ID, a contractor's license, and three recent references from the area. Also, no FEMA worker or federal or state official ever asks for or accepts money.

What should a family emergency plan include?
Two meeting points —one near home and one outside the neighborhood—, an out-of-area contact everyone texts to gather information, assigned tasks with names attached (who grabs the emergency bag, who shuts off gas and power, who helps people who need support, who gets the pets out), and a list of important phone numbers on paper. It is worth practicing at least once a year.

How much water should you store per person for an emergency?
The CDC recommends at least 1 gallon (3.8 liters) per person per day for 3 days. Ready.gov warns that children, nursing mothers, and sick people may need more, and that with very high temperatures water needs can double. Stored water should be replaced every 6 months.

How long does food last in the refrigerator during a power outage?
According to FoodSafety.gov, part of the USDA, a refrigerator keeps food safe for up to 4 hours if it stays closed, and a full freezer for about 48 hours (24 hours if half full). Any perishable food that has been at 4 °C or above for 2 hours or more should be discarded. The official rule is: when in doubt, throw it out.

How do I tell a legitimate extra-income offer from a scam?
The FTC gives two clear signs: honest employers never ask you to pay to get a job, and any offer that involves depositing a check and then using part of that money is a scam. Add to that the pyramid scheme, where income depends on recruiting people instead of selling something to an actual customer.

How do I know when a recession has ended?
The NBER marks the end of a recession with the trough, the point when economic activity hits its lowest point and starts rising in a sustained way. But its committee waits long enough to avoid doubt, and its announcements have come between 4 and 21 months after the actual turning point: by the time it is officially announced, the recovery has already been under way for months. It is better to go by your own signals — customers coming back, income stabilizing — than by the announcement.

How high did unemployment rise during the 2008 Great Recession?

According to the BLS, unemployment in the United States reached 10.2% in October 2009, the highest rate since April 1983. The NBER dates that recession from December 2007 to June 2009: 18 months, the longest since World War II.