Fiscal & Monetary Policy Reference

Economic policies and their impact on your finances

Feature	Fiscal Policy	Monetary Policy
Who Controls	Congress & President	Federal Reserve
Tools	Taxes & Government Spending	Interest Rates & Money Supply
Speed	Slow (requires legislation)	Fast (Fed decides independently)
Direct Impact	Your taxes and government services	Borrowing costs and savings rates

FISCAL POLICY

Expansionary (Stimulus): Cut taxes OR increase spending to boost economy
Personal Impact: More take-home pay, more jobs, but potential inflation

Contractionary (Austerity): Raise taxes OR cut spending to slow economy
Personal Impact: Less take-home pay, fewer services, but controlled inflation

MONETARY POLICY

Expansionary (Easy Money): Lower interest rates to encourage borrowing
Personal Impact: Cheaper loans, lower savings returns, rising stock prices

Contractionary (Tight Money): Raise interest rates to discourage borrowing
Personal Impact: Expensive loans, higher savings returns, falling stock prices

Personal Finance Action Steps

When Interest Rates Are Low: Lock in fixed-rate mortgages, finance big purchases, invest in stocks

When Interest Rates Are High: Pay off variable debt, open high-yield savings, lock in bond/CD rates

When Taxes Are Cut: Increase retirement contributions, pay down debt with extra income

When Recession Hits: Build emergency fund, look for stimulus opportunities (unemployment, tax credits)

💡 **Key Takeaway:** Fiscal and monetary policies directly affect your borrowing costs, tax burden, employment prospects, and investment returns. Stay informed about policy changes to optimize your financial decisions.