

PLANNING ESSENTIALS

Emergency Preparedness

Getting Your Financial House in Order



We all want to be prepared for the unexpected and to eliminate as much uncertainty, fear, and stress from our lives as possible—whether we’re just starting our career and family or well into retirement. Unfortunately, getting our financial house in order is something most people tend to procrastinate over and put off until later in life.

As recent history has shown only too well, however, emergency preparedness is about much more than just estate planning. It’s about creating a plan, ensuring adequate sources of short-term liquidity, preparing all the right documents in case something happens to you, and having a clear understanding of your total financial picture (all your assets and liabilities).

KEY TAKEAWAYS:

Regardless of your age or wealth status, preparing in advance for a possible emergency can help to turn a potential financial disaster into a mere financial inconvenience.

Get prepared by building an emergency fund and by preparing and organizing your financial documents. Then when a crisis arises, work with your advisor to create a cash flow plan.

Don’t be overwhelmed by the task. Doing just a little bit to better organize your financial life is better than doing nothing at all.

WHAT'S YOUR PLAN?

Suppose you suddenly found yourself unemployed. How would you go about augmenting your unemployment insurance to cover essential everyday expenses such as your rent or mortgage, utilities, and food? Have you started creating an emergency fund that will cover at least six months of your essential expenses?

Although nobody wants to contemplate the notion, what would happen if you unexpectedly died or were disabled? Do you have a sufficient amount of life insurance and adequate disability coverage to ensure that your family would have a financial safety-net to allow them to maintain their current lifestyle? Keep in mind that most employer-provided disability insurance policies typically only cover around 60% of your salary and the maximum monthly benefits they pay out are capped.

These are just a couple of the many considerations you will want to address when you work with your advisor to create a comprehensive plan to address.

ORGANIZE IMPORTANT FINANCIAL DOCUMENTS

Regardless of whether you're age 35 or 85, everyone should have the following documents prepared and stored somewhere that's secure, but accessible to family members:

1. **Will**—ensures that your property is distributed according to your wishes at death; appoints an executor/representative to settle your estate; and names a guardian to care for any minor children;
2. **Durable Power of Attorney**—names an individual to serve as your agent in handling your financial affairs in the event you're incapacitated;
3. **Healthcare Power of Attorney**—names an agent to make healthcare decisions on your behalf in the event you are unable to do so yourself;
4. **Advance Healthcare Directive / Living Will**—articulates your wishes regarding resuscitation, desired quality of life, and the withholding of end-of-life treatments (may be combined with the Healthcare Power of Attorney in some states); and
5. **Copies of any Insurance Policies, Property Deeds and/or Trust Documents**—make sure to include copies of any life, disability and long-term care policies, along with deeds to properties you may own and documents for any trusts you may have established.

Additionally, you'll want to keep a secure but accessible list of your various financial accounts (e.g., checking, savings, CDs, brokerage accounts, IRAs, 401(k) and pension plans) including account numbers, passwords, and key contacts with phone numbers and emails. You may also want to consider including copies of other important documents such as your driver's license, passport, birth certificate, military records, medication and immunization records, physician and health insurance info, and a copy of your latest tax returns.

As previously mentioned, make sure you also review your beneficiary designations at least once each year to ensure that they are up-to-date. For accounts like IRAs, even if your will states otherwise, the named beneficiary on the account will supersede the stipulations of your will.

BALANCING SHORT-TERM NEEDS AND LONG-TERM GOALS

In the event that an emergency does arise, ensuring the health, safety, and wellbeing of you and your family must always be the first order of business. Once those immediate concerns are addressed, however, you'll need to quickly turn your attention to financial matters. As soon as possible, sit down with your advisor to conduct a detailed cash flow analysis. This will enable you to understand what sort of variance exists between your expected inflows (income) and outflows (expenses), and explore ways to close any gap that your emergency fund isn't able to cover.

For widespread natural disasters, most lenders will implement some sort of payment relief program for mortgages, home equity loans, consumer loans, and credit cards. Reach out to your lenders to see what's available, as these programs may include a mix of loan forbearances, waivers of late charges, negative credit reporting suspensions, and foreclosure moratoriums.

While addressing the emergency at hand takes precedence, creating a strategy to bridge the crisis with as little disruption as possible to your long-term financial plans takes considerable thought and expertise.

YOU DON'T HAVE TO GO IT ALONE

Even during times of a crisis, it's not too late to start emergency planning — because, unfortunately, other crises could lay ahead. Most importantly, don't become overwhelmed. Doing even a little bit to better organize your financial life is far better than doing nothing at all.

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SMRU 5050696 (Exp. 04.30.2027)

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