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**EMERGENCY PREPAREDNESS FOR YOUR FINANCIAL HOUSE**

By Janice Brady\*, Tax & Financial Advisor

It’s winter. Hardware stores and fire departments tell us to inspect your home to keep it and your family safe. We do this to protect our largest investment – our homes. Another concern they don’t talk about is the potential dangers to your financial house. This is most likely the second largest investment. Isn’t it important to inspect this asset as well? This article offers ideas to protect and weather-proof a sound financial plan.

We’ll start with a walk around your property looking for signs of danger to your financial plan. Then we’ll look at your foundation (asset protection) and then move towards the roof of your home (your investments). Afterwards, you may have a to do list or you will be assured you have prepared for financial emergencies.

Let’s start with cash flow drains. Do you know where your money is flowing? Do you have money at the end of the month? P. Is there a clog? Perhaps debt is the culprit. If so, stay within bounds of your income and pay off the debt as soon as possible to avoid mounting problems. Do you have a cash emergency fund to prevent you from going into debt in case a need arises? An amount equal to three months salary is suggested.

According to *Statisticbrain.com*, in the United States,over eleven million people a year are victimized by identity fraud. And sixty four percent of all identify thefts are on existing credit cards. Keep a close eye on your bank account and other financial statements. Receive and review your credit report at www.annualcreditreport.com. You may not know there is something wrong until the damage rises to meet you.

Let’s examine your existing financial kit and see what is missing or what may need updating. Are the beneficiaries of IRAs and life insurances are up to date? Check them, especially if you had major life changes (marriage, divorce, etc) since you last up-dated them. Make sure companies have your current address and that all your accounts are in your legally documented name. Mismatched names will wreak havoc when you try to consolidate, liquidate, and transfer accounts.

All your financial papers (account numbers and pins) as well as medical documents should be in one place, preferably a safety deposit box or a fireproof safe. If you don’t have a safe, store the papers in

gallon size Ziploc bags and place them in the freezer. In the event of a fire, the freezer acts like a safe protecting your documents. That is unless the freezer melts.

Have an emergency contact list of family members, friends, and those that may be consulted in case of an emergency in your kit. If you have young children, include the name and address of their school and playmates’ parents contact information. Have food water, prescription medicines, eyewear and other necessities available. Review your emergency plan with your family and discuss emergency procedures with your partners, family, friends, and children.

Let’s look at the foundation of your plan. The best foundation is formed with, unbelievably, insurance. I know this is as much fun as climbing into the crawl space however, leaks, cracks, and faulty wiring may be looming to cause problems to your financial future. Think about it, could you replace your home easily in case of a fire? What if your income was to stop?

Have you made sure your homeowners insurance will cover potential problems? Take action to remove the threat or get proper coverage. Make sure fireplaces are clean, filters are changed and heaters are unobstructed. Don’t forget to replace the batteries in smoke alarms and carbon monoxide detectors too. Do not ignore “changes to your policy “notices. Make the call to your agent and get a letter explaining the coverage and get your questions answered in writing. The time to know you are covered in when your completed the paperwork and paying your bill – not after the emergency.

If you are the main breadwinner and you have debt (a mortgage) and other fincial obligations, make sure your income is protected with life insurance. The DIME method is an easy way to find how much coverage you need. D = debt, I = income replacement, M = mortgage, E = education. In

Addition, final expenses are added. For example, Tom and Jane have a consumer debt of $20,000. Tom can get by with-out Jane’s income but Jane could not survive without his annual income of $50,000. They estimate the family would need $50,000 in income for five years, until the kids are out of school. (5 X $50,000 = $250,000 for income replacement). The balance due on the mortgage is $150000. In addition, they want to pay college costs of $20,000. They also need $20,000 for final expenses. Add the numbers up and their life insurance needs are $460,000 to protect Tom’s income. This will allow Jane to remain at home with the kids for some time without the pressure of mortgage and other bills. Term life policies are usually easiest to obtain and more affordable. Make sure your policy cover claims for any reason, not just “accidents only”. Consider having the premiums paid directly from your bank account. That way an emergency won’t let you forget to pay the premiums and allow your policy to lapse. Decide to investigate disability and long-term care insurance too.

Your retirement plans, pensions, social security, and other investments earmarked for the future create the roof, the covering of your financial house. Have you received your social security earnings and pension statements? Have you had a portfolio review this past year? Are your investments diversified? If you do not know, you may be taking more risks in your portfolio than you would like. Fully funding your IRA or 401k can reduce your overall income tax liability and you can avoid taxes on investment growth by opening a ROTH IRA. Nothing will insulate you 100% from market risk but just like protection from storms, you can prepare.

As you move toward the completion of the inspection, look at your wills and health care directives for you, your partner, and your parents. Help your family be prepared by listing medical, financial, and custodial decisions that might need to be made. Isn’t it better that you make these decisions now than someone else making them or making them under emotional distress?

I hope you will take the time and attention needed to complete your home and financial inspections. If you want a simple way to complete this inspection is to schedule your appointment with me as soon as possible. Let’s make all seasons warm, safe and prosperous.

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