

**JUNE 16, 2006**  
**Five for the Money**

**By Karyn McCormack**

## **Preparing Your Finances for Disaster**

When things go wrong, ready access to cash, adequate insurance, and secure documents can stop a bad situation from becoming irreparably worse

If this hurricane season is anything like last year, people need to be prepared -- especially with their finances. News that up to \$1.4 billion in government disaster aid to victims of hurricanes Katrina and Rita was used fraudulently is just one more reason not to expect the government to bail you out. Even if you live in areas not likely to be hit by a devastating storm or earthquake, it's important to have your finances in order when disaster strikes.

One simple step is make sure you're getting paid by your employer through direct deposit, says Rossana Salaris, senior vice-president at Electronic Payments Network, part of the New York-based Clearinghouse Payments Company. Other automatic monthly payments can be established electronically, such as mortgage, insurance, and car payments. This will ensure that your payments will be made on time and, in turn, maintain your credit rating. Also, make sure you have an ATM card to access your money.

This week's Five for the Money highlights other vital steps cited by several members of the National Association of Personal Financial Advisors (NAPFA). Follow them and you can rest a little easier.

### **1. Stash cash.**

"An emergency may make accessing cash difficult, if not impossible, for a few hours to several days," warns Ellen Weiss, an adviser at Leonetti & Associates in Chicago. She recommends keeping at least \$100-\$200 in small bills. If you can, store more cash at home in a water- and fireproof box or safe.

"I tell all my clients to keep between \$500 and \$3,000 (depending on their net worth) in cash hidden in their house to guard against any disaster," says Jorie B. Johnson, a certified financial planner at Financial Futures in Manasquan, N.J. She points out that an electrical failure or attack on computer systems of financial institutions will freeze access to debit and credit cards. "Small bills will go far in a frozen ATM economy," Johnson says.

In general, financial planners recommend you establish an emergency fund in an easily accessible liquid account that will cover three months' worth of living expenses.

### **2. Document your belongings and financial accounts.**

"Videotape the contents of your home and take the video with you if you have to

evacuate," says Elaine D. Scoggins, an adviser in Tampa. Or, take digital photos, in addition to compiling a written inventory of household goods, says David Gardner, an adviser at Professional Financial Management in Bozeman, Mont.

Start a doomsday book with phone numbers, passwords, account numbers, etc., says Robert B. Walsh, an adviser in Red Bank, N.J. "Do it now because it takes weeks to complete."

Important financial documents that should be filed include: bank and brokerage statements; all insurance policies; copies of driver's licenses, passports, and credit cards; birth certificates; marriage certificate; deed to your home or other real estate; titles to your cars; an inventory of all your major household items; details on any other real estate or collectibles you may own; copies of your tax returns for the last three years; location of wills, trusts, and power-of-attorney documents; keys to any safety deposit boxes; and contact info for all your financial advisers, says Mark Kenison, a certified financial planner at Kenison Financial in Charlotte, N.C.

"Having these things will make it so much easier to rebuild your financial life should something happen to you or your house," he says. Keep the file in a place that you can grab quickly in the event of an emergency.

### 3. Back up your computer and paper files.

Once you have compiled your important documents, make copies (either paper or digital) and send the copies to a trusted friend or family member. "That way, if your house burns or floods, all is not lost," Kenison says. Store critical documents you don't need regularly in a safe deposit box at your bank.

Back up key financial computer files such as Quicken and relevant Excel spreadsheets on an off-site backup such as connected.com, says Gardner. Some services give backup space for free, he says. You can also e-mail these critical files to yourself using free services such as Google mail and Yahoo mail, he says. You can also store the data on an encrypted USB flash drive.

### 4. Get the right insurance.

"Sit down with your insurance agent and review all your policies and then go to another agent and request new quotes -- trust but verify with insurance," Walsh says. Work with an insurance professional to understand the need in your area for earthquake and flood insurance, which are not typically covered by standard homeowner's policies, Gardner says. Make sure that you are adequately covered with the limits and replacement options in place for your homeowner's policy, he says.

### 5. Set a meeting place. Have an emergency kit and food.

Check with your employer and have a plan at work so you know what to do in the event of a disaster. Coordinate with family, friends, and neighbors, and set meeting places and contacts for emergencies.

Have an emergency medical kit and some supplies of water and food (that can be eaten uncooked, like granola bars and nuts) in case there are power outages and stores are depleted, says Eve Kaplan at Kaplan Financial Advisors in Berkeley Heights, N.J. Also, get batteries and a flashlight, and keep your cell phone fully charged. The last piece of advice in preparing for a disaster comes from adviser Tom Orecchio in Old Tappan, N.J.: "Get out of Dodge if you know it's coming."

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