

How to Ensure That You're Financially Prepared for an Emergency

When you're starting a business, a family, or any other major life endeavor, you try to think of every risk so you can plan a strategy to put yourself on a path to success. Unfortunately, hardships aren't always predictable, and certain ones, such as man-made or natural disasters, can wreak havoc on well-laid plans. According to FEMA's 2019 Emergency Financial First Aid Kit brochure, roughly 40 percent–60 percent of businesses affected by major disasters never reopen.

Natural disasters, man-made disasters, and business disruptions have at least one thing in common: time is never on your side when you're reacting. Remember Murphy's law: anything that can go wrong will go wrong. During a crisis, you're lucky if you have a few seconds to take a breath and react, so it's critical to consider your financial readiness. As the Roman philosopher Seneca said, "Luck is what happens when preparation meets opportunity."

Why Financial Preparedness Matters

Financial preparedness is much more than storing extra cash under your mattress. It's about creating a plan to help you navigate unexpected financial challenges, which can help you:



Remain calmer

Knowing that you have a plan to cover immediate needs and recover financially can alleviate stress and anxiety in times of crisis.



Recover more quickly

Quick access to funds can speed recovery following an emergency or disaster. This can be especially important when a repair or medical attention is urgently needed.



Prevent debt

Without proper financial preparedness, you might be forced to rely on high-interest credit cards or loans to cover expenses. This can lead to debt accumulation.



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Steps to Becoming Financially Prepared

The nonprofit organization Operation HOPE has partnered with the Federal Emergency Management Agency (FEMA) to create the Emergency Financial First Aid Kit (EFFAK) to help people and businesses organize financial, medical, and household contact information that is often necessary to begin the recovery process after a disaster. The EFFAK provides lists of vital documents in categories such as household identification, financial and legal documentation, medical information, and household contacts. Having this information in one place, in a safe and accessible location, will set you on the road to recovery as soon as possible.

FEMA also offers recommended steps for financial preparedness. Unsurprisingly, the first one involves completing and dating all EFFAK forms. Learn how to prepare yourself.

- **Assess and compile:** Gather important financial documents and contacts and complete all EFFAK forms. Be sure that you have original versions of your documents; otherwise, reach out to the proper agency to request a copy.

Consider switching from paper checks to electronic transfer or direct deposit wherever possible. You can do this for federal benefits through Go Direct. Contact your employer to have your paychecks deposited directly into your bank account. In addition, it's wise to print or download copies of autopay bills, such as rent or mortgage, utilities, loan payments, or membership fees.

Store cash in different denominations in a safe location where you'll keep your EFFAK forms. In case ATMs aren't working or banks are closed, you should have enough money (at minimum) for gas, food, and other daily necessities. Think about how many days or weeks during a crisis you'd like to sustain your current lifestyle and keep enough cash on hand for that period.

- **Review:** Go over your insurance policies and financial paperwork to ensure that they remain accurate and current. This includes verifying that your current homeowners' insurance, auto insurance, and/or renters' insurance policies are up to date. The EFFAK will help you clearly see any personal documents or insurance policies you might need or want to set up.
- **Safeguard:** Store paper copies of your documents in a fireproof and waterproof box or safe, in a bank safe deposit box, or with a trusted friend or relative. If you're using a safe deposit box, you may want to confirm who can and cannot access the safe deposit box if the owner dies or cannot access it due to illness. Electronic copies of important documents should be stored in a password-protected format on a removable flash drive or external hard drive in your fireproof and waterproof box or safe.
You may want to provide your lawyer, financial advisor, or trusted family member or friend with a paper copy of your EFFAK in a sealed envelope. Provide instructions that they should open the envelope only with your approval or the approval of someone you have chosen in the event you cannot make decisions on your own.

- **Update:** Revisit your EFFAK on a regular basis to determine whether any information needs updating. Suggested times to review it include tax preparation time, the beginning or end of daylight saving time, your birthday, and the start of a new year. Any of the following events should prompt you to change your EFFAK as soon as possible:
 - Change of insurance
 - Change of residence
 - Purchase of new home or rental of new apartment
 - New bank account
 - Change in marital status
 - Birth or adoption of child
 - Change in your child's school
 - Retirement planning
 - Death in household

How to Stay Safe from Scams

Unfortunately, natural disasters and other emergencies inspire fraudsters to take advantage of those in difficult or desperate situations. In addition to being financially prepared to handle the aftermath of an unexpected crisis, you should be aware of red flags that might indicate a scam, including:



Up-front fees

Help with claiming services, benefits, or loans should not require payment in advance.



Door-to-door repair sales

These types of salesmen should be thoroughly vetted and should trigger suspicion, especially if they ask for advance payment or offer steep discounts.



People asking for personal information or payment without credentials

Never give out personal information to people you don't know, including over the phone. Con artists may attempt to pose as government employees, insurance adjusters, or bank employees. Call these agencies back at a verified number before disclosing any information.



A sense of urgency

Be suspicious of those who claim to want to help but warn that there is a limited-time offer or pressure you to sign on the spot. You need time to thoroughly review and process anything presented to you. Consult a trusted friend, relative, lawyer, or advisor.

Of course, we hope you never find yourself in a situation where you need to reference these tips, but it's best to be prepared. If you have questions about financial preparation for an emergency or the information in this article, please reach out to us by phone or email.

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