

Preparing Financially for Disaster

Disasters – be it hurricanes, earthquakes, terrorist attacks, or wildfires – are sadly an inevitable fact of life. And just as you might protect in advance your house and personal belongings from disasters, so too you must prepare your personal and financial information.

But what does that entail? What is the near equivalent of boarding up your windows for your personal and financial information? In short, it simply means that you need to backup, document and record all of your personal and financial information to go along with those records (photos, videos, or otherwise) you keep for insurance claims substantiation purposes. These records could be photocopies, electronic images, computer files burned onto a CD-ROM or an online backup service.

Though not completely exhaustive, a person will need to make copies of their personal and financial documents, including their birth, death and marriage certificates; social security cards; passports; credit card numbers; medical records; identification, including your driver's license; recent bank and brokerage accounts, house deeds, mortgage and home equity notes; car title; insurance policies and agent contact numbers; credit and debit cards; tax returns for the past three years; the location of wills, trusts and powers of attorney; names and contact numbers for executors, trustees and guardians; a list of financial advisers and their contact information; and a list of user IDs and passwords for online accounts.

Individuals also need to complete and create a copy of their household inventory. An individual could, for instance, take and store photographs or a video of personal belongings, jewelry and furniture and the like. Regardless of the method used to document personal belongings, individuals need to write a brief description of each item, including the cost, age, manufacturer, and model and serial number for each item. Copies of receipts or appraisals are necessary for any expensive items, including jewelry, art work and collectibles.

Why does someone need to copy all this information? In essence, heirs, professional advisers and individuals doing the disaster preparation need this information to rebuild a financial life in the wake of a disaster.

In some cases, individuals might consider storing originals of such information in one place, such as a safe deposit box or a fireproof safe in your home. In many cases, however, experts recommend that people planning for disaster mail a copy of their records to a relative, friend, or professional adviser in another part of the country.

The reason? Disasters, such as hurricanes or tornadoes, often affect whole regions or parts of the country, crippling communication systems and the like. If copies of your important documents are in another part of the country, you'll be able to rebuild your financial life much more quickly than if you had to wait for cell phone towers to be repaired or electricity to be restored, or the safe in your home to be found. It is also important to tell the person to whom such information is being sent what to do if disaster strikes and original documents are destroyed. And it is equally important that the copies be stored in a safe place.

Still others suggest using a belt-and-suspender approach to backing up personal and financial data. For instance, some say it is a good idea not only to make photocopies of important financial and personal information, but also to use what the digital world has to offer these days. For instance, individuals should consider e-mailing attachments that contain personal or financial information to themselves or trusted advisers, family or friends. In addition, some even suggest using secure online backup services that store personal information for a fee.

Individuals can access their files from anywhere in the world.

Individuals need to back up other aspects of their financial life. For instance, many individuals select an executor, trustee and guardian who live in the same state or in close proximity. However, a disaster could affect executors, trustees and guardians as well. That's why experts always recommend that individuals have contingency plans (individuals from other states or parts of the country) for those responsibilities should the primary named individual be incapable or unwilling to serve in that capacity, if asked.

Likewise, selection of health care and financial decision designee's might require the same considerations. As with executors and the like, experts often recommend naming friends or family members who live in other parts of the country as successors if the original people chosen are affected by a disaster.

July 2005— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Patricia A. Konetzny, CFP® EA, a local member of the FPA. Patricia is a Certified Financial Planner® and Enrolled Agent and has been quoted for articles in the *Wall Street Journal*, *Wall Street Journal Online*, *Kiplinger's Personal Finance*, *Fidelity Investment's Stages* magazine and *E-News*, and *Investment Advisor* magazine. Most recently she was a source for the April 2005 *Parents* magazine article, "Can You Afford to Quit Work."

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