



Safeguarding against catastrophes

By Jacob Ansel

SOMETIMES EVENTS HAPPEN THAT

are beyond our control. Many of us on the east coast learned that first hand a few weeks ago when superstorm Sandy knocked us for a loop. Hurricanes and other natural disasters or the sudden death of a loved one can cause severe emotional and financial distress. So how do you make sure you're protected and have your affairs in order? As a CPA I'm often asked by clients if they really need to get a will done or set up a trust. And just how important is it to have life insurance anyway. My response is always the same. You never know when something will happen that will make you wish you had gotten your affairs in order.

A will is a good place to start getting your financial affairs in order. A simple will costs less than \$1,000. A will lets the executor and survivors know how you want to divvy up your estate and assets. Wills avoids the perils of probate and making your family wait months, even years, to distribute assets you spent a lifetime accumulating. Leaving your family without a will is the equivalent of throwing your money up in the air and seeing what each family can grab for themselves. It's irresponsible not to have a will no matter how old you are.

If you have young children and family to care for a trust may be right for you. Trusts are critical if children under 18 are involved. You target a responsible person – the trustee – to care for the financial health of the child after you're gone. It's smart to have a life insurance

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Hurricane Sandy taught many of us on the east coast that preparing for disasters, natural and unnatural, is critical for the financial health of households and businesses. Here are some tips to protect your family's assets.

policy within a trust with the beneficiary being the trust. Carefully choose the right trustee who will prudently invest and follow your requests according to your terms. Often a CPA or lawyer is appointed to handle the trust as an impartial responsible party. If you should die suddenly, a trust ensures that your children are cared for properly.

Do you have enough life insurance, homeowner's insurance, business interruption insurance, flood coverage, premises coverage, and an umbrella policy? We've all heard stories where floods destroy homes that have no coverage or the wrong coverage. Most mortgage companies don't require flood coverage so most people don't have it. A financially responsible person will include flood damage whether or not the mortgage company asks for it. It's important to maintain, review, and update all of your policies annually. Sit with an advisor and go through each type of coverage and make sure you're protected in case a catastrophe occurs.

How much cold hard cash do you keep on hand? There's nothing more important than keeping a minimum of

\$10,000 buried away somewhere safe. What if there's a power outage and you can only use cash for gas and food? What happens to bank accounts frozen due to a death and you need immediate cash to pay for a funeral or living expenses? No one will argue about the value of keeping an emergency fund on hand. Keep it out of your house, but somewhere safe and accessible.

Where do you keep your money? A bank account, brokerage account, a safe, in gold? If a disaster occurs, will you or loved one know where to look for these assets? What if your house is wiped away by a hurricane and no papers are left that show this information? An excellent idea that I endorse is to create an index of assets, wills, trusts, life insurance policies, important beneficiary information, and anything that will financially help your family. In this index, put all account numbers, account statements, contact persons, lawyer and CPA info, and update the list annually. The file should not be left in your home; create three copies and put one in a safety deposit box, one in your attorney's vault, and the last one is for your CPA to keep on file. In case of death or a disaster your spouse will know where to go for this information.

Spending a few hours yearly to review all of the above information can provide a good security blanket for you and your family. My wife often tells me how secure she feels knowing that if something happened to me she has the proper tools to keep the family running safe and sound financially. Catastrophes are difficult enough. Causing your family needless worry about finances is something you can control. □