

Creating a Personal Disaster Plan for Your Home, Your Loved Ones and Your Finances

The idea of a personal disaster plan began circulating in the days after the September 11, 2001 attacks. They got a boost after Hurricane Katrina. Yet even when we experience a fortunate break between natural and man-made crises, it's still a good idea to have a plan and review it annually.

Why? Because there is no such thing as a one-size-fits all disaster plan, nor should it begin and end with details on how you and your family would cope in the aftermath of a weather disaster or an attack with worldwide implications. Disaster planning is all about worst-case scenarios that might affect you directly.

Consider these examples that actually have nothing to do with storms or even national security. Do you or your spouse or partner travel extensively on the job? How prepared would you be if death, illness or unforeseen events kept you from coming home? Is there a child, friend or other close relative who would have special care interrupted if something were to happen to you? What about I.D. theft? Do you have a plan? These are only two of potential dozens that you might devise to address your own personal situation.

A qualified financial planner is a good source of feedback and can suggest ways to organize the various aspects of the plan. He or she can also advise you on ways to structure the report so it can be read and understood by others. Remember – a disaster plan is worthless if your loved ones, attorneys or financial experts don't know it exists.

Here are some steps to get you started:

Develop a “what if” list. Don't rule anything out and bring your most trusted family members, friends and colleagues in on this discussion, even to the meeting with your planner or other financial experts. Consider every possible event that could hurt you, your family, your home or your business – what hurts one automatically hurts the rest. The first question – what if you died or became disabled tomorrow? Could your family and business continue to function while they worked through the aftermath? A good way to make the list is to draw a line down the middle, and on the left side list every possible risk, while writing every possible remedy for those risks on the right side.

Check your insurance at home and work. Your “what if” list might help you focus this, but all home- and business based coverage should be double-checked with your agent once a year or when major changes occur in your life, such as marriages, divorces, new kids, business expansion or contraction. If you work for an employer, check with their human resources department on the right person your health power of attorney or advance directive designee would call if there were any question about your benefits if you died or were incapacitated. Make sure your coverage is adequate based on any of the emergency scenarios you've developed. If you had a huge medical bill, could you pay your deductible and any uncovered costs out of your

own reserve funds? How's your life insurance for you and your spouse? Is your home insurance based on the highest replacement value figures for your neighborhood? While you're at it, see if your insurance will cover temporary relocation and car replacement if you need it.

Make sure your reserve fund is healthy. In any emergency, cash is king. If your family or colleagues had to pay the mortgage or rent, make payroll, buy groceries, temporarily relocate, pay your out-of-pocket costs for healthcare services, and even pay for your funeral, would they be able to access cash to do it? This goes beyond the creation of a typical emergency fund that pays three to six months of expenses if you lose a job; think bigger to make sure there's more than enough in savings to cover the cash needs your worst-case scenarios reveal. If you have designated a financial power of attorney, they need to be aware of these assets and have access to them.

Create physical contingency plans: If your family was in different places when a natural or man-made disaster occurred, do you all know where you'd meet? If you had to relocate to a particular relative's home, does that relative know you'd be knocking on his or her door? Close the loop with all friends, family and service providers you'd need for support if you had to rely on them – and set up an effective communications plan to go into effect the moment trouble happens.

Plan an escape kit. If you had to leave home within a very short period of time, what would you take? Key financial and insurance documents would be a must, so make sure that material is organized and in one place for speedy packing. Also, it might make sense for all family members to make a list of things they'd pack in a hurry as well – put a time on your calendar each year for everyone to update their list. If you have financial or work data on computers, it's important to regularly back up that data on separate drives that could be packed up and downloaded to a portable laptop offsite. Also, don't forget to plan for your pets if you have them – they'll need their supply of food, toys and medication if necessary.

In business, protect yourself first and your employees second. A natural or man-made disaster cannot only wipe out your business, but your personal finances as well. Make sure you have appropriate legal structures, estate plans and insurance in place to shelter the financial health of your family from any disaster your business incurs. As for employees, make sure you've also made a "what if" plan for work and work through any physical and employment risk your staff could face in a disaster and see what safety nets are available. Also be aware of state laws that mandate specific forms of disaster planning for your city and state.

Protect your customers third. If you faced a lengthy business interruption, how would you serve the customers who are depending on you? Are there specific customer service and inventory procedures in place to keep them informed, supplied, and most important, loyal once you're up and running again? Do you have options for alternate office and production space as well as resources for temporary workers? This is why business contingency planning should be a priority.