

Money matters



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Prepare for the unexpected

Life has a way of throwing us some curve balls.

Just when you least expect it, you may lose your job, you or a family member can come down with a serious illness or lose your home and belongings in a natural disaster. While you can't control an accident and the unexpected emergency from happening, you can take precautions to be financially prepared. Here is a financial checklist and some tips to help you get started:

Create an emergency savings account

Keep enough savings to last at least three to nine months covering all living expenses in an easily accessible account such as a savings or money market account. This will allow you to access these funds quickly if needed. To help increase your emergency savings fund, consider setting up an automatic withdrawal from your checking account on a weekly or monthly basis. You may also want to consider funneling tax refunds or holiday bonuses toward these emergency savings as well.

Have adequate insurance

Finding out that you do not have adequate insurance after an emergency or natural disaster strikes will make matters much worse. Make sure that you have homeowners insurance, life insurance, disability insurance and car insurance. Depending on where you live you may also need extra insurance for natural disasters, such as earthquakes or floods, which are often not covered in typical homeowners insurance policies. Also, make sure you understand what your insurance covers and know the difference between full and partial coverage.

Know your options

If you find that you don't have enough money in your cash reserves nor do you have adequate insurance, you may still have some options in case of emergency. For example, you may be able to open a Home Equity Line of Credit (HELOC). Opening a HELOC can be a sound idea, because there can be no cost to open them and you are not obligated to use the money. If you don't own a home or have not built up enough equity in your home you can also withdraw up to half of your 401(k) balance or \$50,000, whichever is less. Since you are technically borrowing your own money, you will not be taxed. It is considered a loan, so you will need to make timely payments. If you don't, you will lose the before-tax privileges. Rules, fees and interest rates vary by employer, so check with your human resources department. It is worth noting that typically, if you leave the company, the 401(k) loan balance is due in full. Also, defaulting on

this loan could cost you your home, since it is used as collateral against the loan.

Government help

You are eligible for help from the Federal Emergency Management Agency (FEMA)'s Individual Housing Program if your house has been damaged or destroyed by a natural disaster, you do not have insurance and the president declares your area a "disaster" area. Grants up to \$25,000 are available. If your house was insured, but the insurance doesn't cover all the damages, you are still eligible for assistance from FEMA, but your claim cannot include personal items. If your insurance, 401(k) and FEMA don't cover all your losses, the government also offers low-interest loans through the Small Business Administration (SBA). Learn more at www.sba.gov.

Conduct a household inventory

It is important to have a complete list of all your possessions in the event that your house is damaged or destroyed. This will help you get a fair insurance payment and show proof when you want to deduct your losses on your tax return. Consider using a video camera to document your home and possessions, including your vehicles.

Keep documents safe

Once you have completed your home inventory make sure you keep this documentation in a safe deposit box at a bank. Other important documents such as deeds, insurance policies, birth, marriage

and death certificates, stock and bond certificates and vehicle titles should also go in this safe deposit box. Stashing recent tax returns or other financial documents in your safe deposit box may also be helpful. And don't forget a copy of your will — the original should be filed with your attorney.

Avoid credit card debt

During an emergency you should try to avoid piling up large sums on your credit cards. This will make it harder for you to get back on your feet later. Consider restructuring your lifestyle during this financial crisis and adjust the way you spend until things get back on track.

Meet with a financial advisor

Consider meeting with a financial

advisor who can help you create a comprehensive financial plan that includes emergency planning. A qualified advisor will determine if you have adequate emergency reserves and insurance to properly protect you and your family.

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