

## Planning for a Crisis

Every day, it seems we learn about yet another crisis somewhere in the world—and unfortunately, many hit alarmingly close to home. Several European nations are on the verge of economic collapse caused from high government debt levels. The U.S. economy struggles with high unemployment. An oil well hemorrhages in the Gulf of Mexico. Tornadoes, floods and earthquakes seem ever present.

What crises are you likely to face? We can hope that nothing bad comes our way, but that is not realistic. Everyone will face challenges at some point, and likely, many of us will face multiple challenges at once. Having a plan to confront some of the more likely crises is one way to prepare for the unexpected, and will relieve some of the stress you feel in this uncertain time.

The first step in creating a plan is identifying risks. Common risks may include losing a job, losing your home due to a natural disaster, identity theft, having a health emergency or long-term illness, or dealing with a family crisis, such as parental care. These are set-backs that you can prepare for. When creating a crisis plan, take the following steps:

- Plan for the worst-case scenario.
- Keep your plan flexible.
- Finance the plan.
- Understand saving verses investing.
- Manage your debt levels.
- Organize your records.
- Take action now.

Create your plan with the worst outcome in mind. If things go badly, you have solutions available. If things only get a little rough, you will have protected yourself. This strategy also allows you to endure multiple hardships at the same time.

Keep your plan flexible so you can make necessary changes as events unfold. Have contingencies built into the plan in case your preferred method of handling the situation is not available at the time of crisis.

Finance your plan. One of the most important things you can do to prepare for a crisis is to manage your budget. Distinguish between necessary expenses and wants. Track your monthly expenditures, and understand how much money you absolutely must have to survive each month. Build your emergency savings to cover a minimum of three months of expenses.

Understand the differences between saving and investing. Money that is saved for future purchases or set aside for potential crises should be kept in accessible and safe instruments, such as certificate of deposits (CDs) or money market accounts.

Manage and minimize your debt levels. When disaster strikes, it often comes with a high cost or loss of income. Either way, most likely you will have difficulty paying for debt, such as credit cards or consumer loans, when cash-flow dries up. Start to eliminate your debt now. Use credit cards only if you can pay them off each month. Save money for large purchases; don't finance them.

Organize your records. Know where your insurance policies are kept for home and autos. Keep your life, disability and long-term care insurance policies and employment records in a safe and accessible place. Keep a list of accounts (banking, credit cards, investments, insurances, mortgages, etc.) in a secure place at home, but also in a secure place off-site, perhaps your office or with a trusted relative. Update your wills and share a copy with your named executor.

Take action now! Thinking about putting a plan in place does not make it happen. Procrastination is the enemy of planning—and can be the reason a crisis becomes unmanageable.

Unfortunate events lurk around every corner. The difference between these events becoming crises or remaining unfortunate events is up to you and the plan you create ahead of time to deal with them.

Financial Advisor is a Registered Representative of and offers securities through Securities America Inc. Member FINRA and SIPC. Investment Advisory Services offered through Eide Bailly Advisors LLC, a Registered Investment Advisor. Eide Bailly Financial Services, LLC is the holding company for Eide Bailly Advisors, LLC. Eide Bailly Financial Services and its subsidiaries are not affiliated with Securities America companies. Approved for use 06/10.