

Get Financially Prepared: Take Steps Ahead of Disaster

Fact Sheet

Family Resource Management
Program Focus Team

Introduction

Disasters such as the tornadoes that hit Greensburg and Reading, Kan., and Joplin, Mo., have been significant news stories in the last few years. Would you have been prepared to take action if you were in one of these situations? Many people have installed smoke detectors, fire alarms, and dead bolt locks in their homes and stocked extra food in the pantry. To be prepared, you should also have a household inventory, check your insurance coverage, and prepare a grab-and-go box. And after a disaster, do you know how to keep your finances in order? Read on to learn.

Prepare a Household Inventory

A household inventory is an itemized list of the contents of your home, including basement, attic, and garage. It could also include a list of the contents of storage areas, such as sheds or other small buildings on your property. If you have a rented storage unit off-site, consider completing an inventory for that, as well. An accurate inventory is a necessity whether you are a homeowner or a renter.

An inventory of your belongings helps set an approximate value of items owned to determine needed insurance coverage. In case of a loss, your insurance company will require a listing of all items lost or destroyed in order to settle the insurance claim. It is often difficult to reconstruct a list of belongings from memory because it is easy to overlook items that are out of season or hidden away, as well as those you use regularly.

The initial investment of time and effort in preparing the inventory may seem significant, but once completed the inventory will be useful for a long time with regular updating. As new items are obtained or others discarded, change your inventory accordingly.

When making an inventory, photograph or videotape every wall in each room of your home and storage areas. Photograph open closets, cabinets, cupboards, and drawers. Take close-ups of unique or expensive items to document their existence and condition. Date the photographs and use them to show all furniture, furnishings, accessories, and other items — large and small — in the room. When videotaping, verbally describe the contents as you move around a room. Photos or video to accompany your written inventory will be useful. Both can serve as a record of ownership and document the condition of items. Each can also characterize the uniqueness and extent of a collection, such as coins or musical instruments. Unique items such as antiques and textiles can be fully represented by a photo or video. Save photos or video on a flash drive or other media storage device. Photos could be printed and stored with your inventory in a safe place.

Be as specific and accurate as possible when describing your furnishings and equipment. For furniture, include the color, wood type, and size. For appliances, record the manufacturer, model, serial number, and size. Product manuals will provide much of this information. When listing items include the original cost, the date purchased, any alterations or repairs done on the item, and the corresponding cost. Include this information in your written inventory or scan a copy to keep this information electronically.

Also include any personal items owned by family members but not always stored at home, such as sports equipment stored in school lockers.

One format for recording an inventory can be found at www.extension.org/pages/11274/household-inventory. Find the Household Inventory Interactive Form. After you download the form, print it and hand write the inventory information, or fill out and save it on your computer. Be sure to back it up with external memory, and keep that copy in a safe place, away from your residence.



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Consider creating the inventory in a software program that is stored online, so that the inventory can be accessed from any computer. For example, “Know Your Stuff” is the Insurance Information Institute’s free online home inventory software, at www.knowyourstuff.org/iii/login.html.

Storing Your Household Inventory

- Keep a working copy (paper or electronic) in the home file.
- Keep one copy of your household inventory away from the insured dwelling, such as in a safe-deposit box, with a trusted person, or stored online, so that it can be accessed from any computer.

Remember to keep all copies up-to-date and review them on a semi-annual basis. Add newly acquired items to your inventory and include a new photo or video. Update the inventory when items are discarded.

Review Your Insurance Coverage

The purpose of insurance is to cover major losses. Review your insurance coverage at least annually. You may want to conduct a face-to-face review with your insurance agent every other year. Make sure you have adequate coverage on your home, vehicles, and possessions. If at all possible, set aside emergency funds to cover the policy deductibles. Keep the name of the agent(s) and policy number(s) in your grab-and-go box. Consider purchasing other types of insurance, such as disability and/or life insurance for the wage earner.

Homeowner’s Insurance protects your home and its contents in the event of damage or loss. If a home buyer is purchasing the house with a loan, the lender will require homeowner’s insurance; the home serves as collateral for the loan so the mortgage company has a vested interest in maintaining the home and its value. Once a mortgage is paid, the insurance is still needed to protect the investment you have made, enabling you to replace your home if it is damaged or destroyed.

Are your home and its contents insured for at least 80 percent of its replacement cost, rather than depreciated value? If not, insurance will not cover the full cost of rebuilding after an insured loss.

What disasters are covered? While the exact coverage will vary from policy to policy, a standard policy covers fire, lightning, windstorms, hail, freezing of plumbing or pipes, damage from weight of ice, and volcanic eruptions (with exceptions).

In addition, your policy will also spell out the disasters you are not insured against. Depending on your geography, as well as your insurance carrier, common exclusions are earth movement, flooding, and sewer back-up.

Not only will your policy cover the cost of the damage (depending on policy limits), it may also cover your living expenses in temporary quarters while you wait for your home to be repaired (depending on policy limits).

Auto Insurance. Collision coverage insures your car against damage caused by a collision. Comprehensive coverage pays for damage to your auto resulting from other circumstances, such as windstorm, fire, and hail. If you have comprehensive coverage on your vehicle, make sure you have funds to cover the deductible in your emergency savings.

Disability Insurance. Many times individuals are injured during a disaster and can no longer work. When a person becomes disabled and can’t work, income stops but expenses continue. A short-term disability insurance policy could help cover expenses for a defined period of time or until you could return to work. Long-term disability insurance could replace 60 to 70 percent of monthly income until the worker is eligible for retirement. With both short-term and long-term disability insurance policies, it is important to understand the way your policy defines a disability and covers your ability to work.



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Life Insurance. Sometimes people die as a result of disaster. If that should happen the family would cease to have income but the bills still need to be paid. Most workers need 75 percent of current household income in the event of the death of the wage earner. Life insurance should be reviewed as family needs change through life stages. A life insurance calculator can be found at www.choosetosave.org/calculators.

Create a Grab-and-Go Box

If you had only a few moments to evacuate your home, would you have access to the cash, banking services and the personal identification needed to conduct your day-to-day financial life? Consider keeping the following items in a secure place in your home, in a waterproof, fireproof container that can be taken with you at a moment's notice:

- Identification and other key documents that may be needed to restore your financial records, including copies of your driver's license, passports, social security cards
- Insurance cards, policies, or other proof of insurance coverage
- Household inventory
- Immunization records
- Bank account numbers, cash
- Copies (front and back) of ATM, debit, and credit cards
- Phone numbers and account information for all financial service and insurance providers
- Important telephone numbers (family members, doctors, veterinarians)
- Names and prescription numbers for medications
- Safe deposit box key
- Pocket notebook and pen or pencil

If the following items are not kept in a safe deposit box, these should also be kept in your grab-and-go box. It is a good idea to make copies of safe deposit box contents in case the originals are damaged by water.

- Family records (birth, marriage, death certificates)
- Will, contracts, deeds, stocks, and bonds
- Titles to vehicles

After a Disaster

Disasters can be devastating, not only to your property, but also to your emotions, because they can cause injury or death of people you know and love. A disaster can destroy your home and everything that was once familiar to you. Under these circumstances, managing to call the insurance company or other small steps can be daunting. Relatives and close friends can be a terrific asset in helping you take control, but only if they know you need their help. Contact them and ask for help. Friends and family can do the following:

- Witness the damage.
- Photograph or videotape the damage.
- Provide access to telephone, office, or other facilities.
- Run errands such as faxing and copying.
- Store valuable and important papers.
- Provide moral support and humor.
- Provide temporary food, clothing, and lodging.

A nearby hotel or a friend's or family member's home may be a good choice for lodging if you are displaced for a week or two. You may be surprised to know that if you need accommodations for a longer term, a furnished house or apartment might be provided by your insurance carrier. Other resources for



Resources

Louisiana State University Agriculture Center
Disaster Information Resources http://www.lsuagcenter.com/en/communications/publications/Publications+Catalog/Disaster+Information/Disaster+Information+Resources+Series/Disaster+Information+Resources+Series_seriespage-1.htm

Mississippi State University Extension Service
Disaster Relief Series http://msucares.com/frm/disaster_relief.html

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housing might be the Federal Emergency Management Agency (FEMA), Red Cross, Salvation Army, or churches and religious organizations.

Document the Disaster. Assess property damage using safety precautions before calling your insurance company. Keep damaged items as material evidence for claiming losses until the initial meeting with your insurance representative. Document damage with a video tape or photographs before repairs are made, even temporary repairs. The more detailed and accurate your records, the more you may be reimbursed for your losses. You will need documentation when applying for disaster assistance, taking tax deductions for your losses, and submitting claims to your insurance company. Keep track of insurance claim numbers as they are processed.

Your documentation must answer the following questions:

- What happened?
- When did it happen?
- What damage was sustained?
- What is the cost of repairs?

Keep a pocket notebook with you at all times after a disaster. Record the names of people spoken to and dates of meetings, conversations, or telephone calls with agencies, insurance companies, contractors, relief organizations, and anyone else you are communicating with in order to obtain disaster assistance of any kind. Back up any verbal conversations or agreements you have with a fax, letter, or email so that the content of all discussions is documented.

Keep Receipts During Disasters. You will probably need to purchase basic necessities before your insurance company sends you a check. Keep receipts from the emergency service providers as well as for purchases related to the disaster such as lodging, food, and clothing. The importance of keeping receipts cannot be overemphasized.

Consider how to keep your receipts dry, safe, and readable. To save your receipts, think about what is easy for you to manage and handy to carry with you if necessary. Most important, file all receipts. Keep any receipt that has something to do with your recovery from disaster. This includes not just food and lodging, but also the check stubs that come from vouchers you may receive from Salvation Army, Red Cross, United Way, and any other group that has supported you. You will need all of these receipts and stubs for tax and insurance purposes at a later date.

To manage all the receipts and stubs, find a system that works for you:

- A three-ring binder to store logs of phone conversations, estimates, bills, and receipts.
- Plastic accordion file
- Plastic shoe box
- Plastic baggies

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