

Financial Preparedness for a Natural Disaster

Leader Directions

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Lesson Description:

Participants will learn how to financially prepare for natural disasters, including understanding insurance coverage, creating a financial inventory, budgeting and saving, seeking professional advice, and accessing relevant resources in Indiana. Practical guidance on reviewing insurance policies, documenting finances, creating emergency budgets, and protecting finances will be provided, helping participants mitigate the financial impacts of disasters.

Objective:

The objective of this program is to educate participants on how to financially prepare themselves and their families for natural disasters, with a focus on understanding insurance coverage, creating emergency budgets, and accessing relevant resources in Indiana.

Optional Activities During/After Program:

- Review the content provided in the handouts
- Create a personal financial inventory, including documenting important financial documents and accounts.
- Explore available resources and programs in Indiana for disaster assistance and financial recovery.

Supplies:

- Print out of materials
- Paper and pens to take notes as desired

Additional Resources

- <https://extensiondisaster.net>
- <https://www.in.gov/dhs/get-prepared/>
- <https://www.purdue.edu/engineering/ABE/INPREPared/>

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Today we will be discussing important steps to financially prepare yourself and your family for sustaining a natural disaster such as a home fire, flood, tornado, and more. We will be drawing information from reliable sources, including the Extension Disaster Education Network and Indiana Prepared sites.

Financial preparedness is a crucial aspect of overall disaster preparedness. It involves planning ahead and making informed decisions to protect your finances and ensure that you can quickly recover from the financial impacts of a natural disaster. Let's learn more about why financial preparedness is important.

- Natural disasters can cause significant financial losses, including property damage, loss of income, and increased expenses.
- Being financially prepared can help you avoid debt, minimize financial stress, and recover more quickly from a disaster.
- Financial preparedness can also help you provide for your family's basic needs, access essential resources, and rebuild your life after a disaster.

One of the key steps in financial preparedness is creating an emergency fund. An emergency fund is a savings account specifically set aside to cover unexpected expenses, such as those incurred during a natural disaster. Let's learn more about how to create and manage an emergency fund.

- Start by setting a specific savings goal for your emergency fund, such as 3-6 months of living expenses.
- Regularly save a portion of your income into the emergency fund until you reach your goal.
- Keep your emergency fund in a separate savings account that is easily accessible but not too easily accessible to avoid temptation to use it for non-emergency purposes.
- Use your emergency fund only for true emergencies, such as disaster-related expenses or loss of income due to a disaster.
- Replenish your emergency fund as soon as possible after using it to ensure you are prepared for future emergencies.

Another important aspect of financial preparedness is reviewing your insurance coverage. Having appropriate insurance coverage can help protect you financially in the event of a natural disaster. Let's find out what you need to consider when reviewing your insurance coverage.

- Review your homeowner's, renter's, and flood insurance policies to ensure they provide adequate coverage for your property and belongings.
- Consider additional coverage, such as earthquake or tornado insurance, depending on the natural disasters that are common in your area.
- Review the deductibles, limits, and exclusions of your insurance policies to fully understand what is covered and what is not.

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- Keep important documents related to your insurance coverage, such as policy numbers and contact information, in a safe and easily accessible place.
- Regularly review and update your insurance coverage to ensure it aligns with your current needs and the value of your property.

Creating a financial inventory is another important step in financial preparedness. A financial inventory is a comprehensive list of your financial accounts, assets, debts, and other important financial information. Let's learn more about how to create and maintain a financial inventory.

- Create a detailed list of all your financial accounts, including bank accounts, investment accounts, retirement accounts, and insurance policies, along with their respective account numbers, contact information, and beneficiaries.
- Include information about your assets, such as your home, vehicles, valuable possessions, and any other significant assets you own.
- List your debts, such as mortgages, loans, credit card balances, and other outstanding debts.
- Store your financial inventory in a safe and secure place, such as a fireproof and waterproof box or a digital cloud storage service.
- Regularly update your financial inventory to reflect any changes in your accounts, assets, or debts.
- Share the location of your financial inventory with a trusted family member or friend, so they can access it in case of an emergency.

Budgeting and saving are important financial habits that can help you be financially prepared for a natural disaster. Having a budget and savings plan in place can help you manage your expenses, build your emergency fund, and be financially resilient during and after a disaster. Let's learn more about budgeting and saving.

- Create a monthly budget that includes all your income, expenses, and savings goals.
- Identify areas where you can cut expenses, such as unnecessary spending or non-essential services, to free up more money for savings.
- Prioritize saving for your emergency fund as one of your financial goals.
- Consider setting up automatic transfers from your checking account to your emergency fund to ensure consistent savings.
- Look for ways to increase your income, such as taking on a part-time job or selling unused items, to boost your savings.
- Regularly review your budget and savings plan to make adjustments as needed and track your progress towards your financial goals.

Documenting your finances is another important aspect of financial preparedness. Keeping accurate records of your financial information can be helpful in assessing and recovering from the financial impacts of a natural disaster. Let's find out more about documenting your finances.

- Keep copies of important financial documents, such as bank statements, insurance policies, tax records, and legal documents, in a safe and easily accessible place.

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- Store electronic copies of your financial documents in a secure digital format, such as encrypted cloud storage or password-protected external hard drives.
- Create a grab-and-go bag or folder that contains essential financial documents, so you can quickly take them with you in case of an evacuation.
- Consider using a password manager to securely store your online account credentials and financial information.
- Keep your contact information updated with your financial institutions, insurance providers, and other relevant parties to ensure smooth communication and access to your accounts in case of a disaster.

Lastly, seeking professional financial advice can be beneficial in preparing yourself and your family for a natural disaster. Financial advisors or other financial professionals can provide valuable guidance and expertise in managing your finances before, during, and after a disaster. Let's learn more about seeking professional financial advice.

- Consider consulting with a certified financial planner, insurance agent, or other financial professional to assess your financial situation and develop a disaster preparedness plan.
- Seek advice on appropriate insurance coverage, investment strategies, tax planning, and other financial matters related to disaster preparedness.
- Discuss your emergency fund goals, budgeting and savings plan, and other financial strategies with a financial professional to ensure they align with your overall financial goals.
- Keep contact information for your financial advisor or other financial professionals in your emergency preparedness kit, so you can reach out to them in case of a disaster.

In conclusion, being financially prepared for a natural disaster is crucial for protecting yourself and your family from the financial impacts of unexpected emergencies. By following these steps, including understanding your insurance coverage, creating a financial inventory, budgeting and saving, documenting your finances, and seeking professional financial advice, you can better prepare yourself and your family for sustaining a natural disaster. Remember, being financially resilient can help you navigate through the challenges and recover more quickly after a disaster.

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Additional activities:

1. Role-playing Exercise: Disaster Scenario Simulation
 - Divide participants into groups and provide them with different disaster scenarios, such as a home fire, flood, or tornado.
 - Ask each group to discuss and develop a financial preparedness plan for their assigned disaster scenario.
 - Encourage participants to consider insurance coverage, financial inventory, emergency budgeting, and accessing relevant resources in Indiana.
 - Afterward, have each group present their plan and facilitate a group discussion to highlight key strategies and lessons learned.

2. Case Study: John and Jane's Home Flood John and Jane live in a flood-prone area in Indiana and experienced a severe flood that caused extensive damage to their home. They were financially prepared for this eventuality and had taken steps to mitigate the financial impact of the flood.
 - a. Insurance Coverage:
 - i. John and Jane had a comprehensive homeowner's insurance policy that included flood insurance, which covered the damage to their home and belongings.
 - ii. They reviewed their insurance policy regularly, understood the coverage limits, and had sufficient coverage to rebuild their home and replace damaged belongings.
 - iii. They had a clear understanding of their insurance deductibles, limitations, and the claims process.
 - b. Financial Inventory:
 - i. John and Jane had a detailed financial inventory that included their insurance policies, home deed, and other important financial documents.
 - ii. They stored digital copies of their financial documents securely in cloud storage, and also had physical copies stored in a safe deposit box outside of their home.
 - iii. They were able to quickly access their financial inventory and provide necessary documents to their insurance company for the claims process.
 - c. Budgeting and Saving:
 - i. John and Jane had an emergency budget in place and had set aside an emergency fund specifically for unexpected events like a flood.
 - ii. They had been consistently saving a portion of their income each month, which allowed them to have enough funds to cover their insurance deductibles and initial out-of-pocket expenses.

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- iii. They were able to use their emergency fund to cover temporary living expenses while their home was being repaired.
- d. Seeking Professional Advice:
 - i. John and Jane consulted with their insurance agent to understand their policy coverage, claims process, and timeline for repairs.
 - ii. They also sought advice from a financial planner to ensure their insurance coverage and emergency fund were adequate.
 - iii. They worked with contractors and restoration professionals to obtain accurate estimates and timelines for the repairs.
- e. Accessing Relevant Resources in Indiana:
 - i. John and Jane utilized resources from the Indiana Department of Homeland Security and FEMA to understand the flood recovery process and access disaster assistance programs.
 - ii. They also reached out to local non-profit organizations and community support services for additional assistance with temporary housing and other needs.
 - iii. They stayed informed about available resources and updates through official channels, websites, and local emergency management agencies.
- f. Analysis:
 - i. John and Jane's case study highlights the importance of having comprehensive insurance coverage, maintaining a detailed financial inventory, budgeting and saving for emergencies, seeking professional advice, and accessing relevant resources in Indiana.
 - ii. Their proactive approach to financial preparedness helped them mitigate the financial impact of the flood and expedite the recovery process.
 - iii. Lessons learned from their case study include the importance of regular insurance policy review, maintaining a current financial inventory, consistent budgeting and saving, and staying informed about available resources in Indiana.

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Additional Resources

1. Indiana Department of Homeland Security (IDHS) - The IDHS provides information and resources on emergency preparedness, including financial preparedness, through their website (<https://www.in.gov/dhs/>). They offer guidance on creating emergency kits, developing emergency plans, and staying informed about potential disasters in Indiana.
2. Indiana Department of Insurance (IDOI) - The IDOI offers information on insurance-related topics, including home insurance, flood insurance, and other types of insurance coverage relevant to natural disasters. Their website (<https://www.in.gov/idoi/>) provides consumer resources, tips on understanding insurance policies, and information on filing insurance claims.
3. Indiana 211 - Indiana 211 is a free and confidential service that connects individuals with resources and services in their community, including disaster assistance, financial counseling, and other supportive services. They can be reached by dialing 211 or visiting their website (<https://www.in211.org/>).
4. Indiana Legal Services (ILS) - ILS offers free legal assistance to low-income individuals and families in Indiana, including those impacted by natural disasters. Their website (<https://www.indianalegalservices.org/>) provides information on disaster-related legal issues, such as insurance claims, landlord-tenant issues, and financial assistance.
5. Indiana State Department of Agriculture (ISDA) - The ISDA provides resources and guidance on disaster preparedness for farmers, including financial considerations for agricultural operations. Their website (<https://www.in.gov/isda/>) offers information on disaster planning, risk management, and financial assistance programs for farmers in Indiana.
6. American Red Cross - Indiana Region - The American Red Cross provides disaster preparedness resources, including financial preparedness, through their Indiana Region website (<https://www.redcross.org/local/indiana.html>). They offer tips on creating emergency budgets, financial planning, and recovery after a disaster.

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