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Speaker 1

Welcome. My name is Andrew Baron, and this is, Well... It Depends! The podcast where I present the pros and cons of financial decisions so that you, the audience, feel better informed when you are confronted with these decisions in your own life. In this episode, I ask the question, how do I prepare for an emergency?

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But before we begin a short disclaimer. This is being recorded on November 15th, 2022. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. Any strategies discussed may not be suitable for listeners specifically, and so we strongly encourage consulting with your advisor before implementing any strategies to ensure they meet your individual objectives.

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Getting into it. How do I prepare for an emergency? Well... It Depends! When we plan for the future, it's easy to focus on the things that you want to achieve. But it can be harder to identify the risks that might delay or derail your goals. Emergencies, by their very nature, are both unexpected and produce a strong emotional response. This one-two punch can be overwhelming in the moment, which is why it's good to have a plan for how to address these emergencies.

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Financially prepare. Emergencies can be expensive, so it's important to have dedicated funds to cover the cost and not jeopardize your other financial commitments. An emergency savings account should be your go to place to get cash that exceeds your regular cash flow. 3 to 6 months of spending should be

your target. So if between your housing, groceries, utilities, any debt payments and travel costs, you're at, let's say, \$10,000 a month.

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You'd want to have between \$30,000 and \$60,000 readily available to you in a savings account. Physically prepare. Besides the monetary cost, emergencies can have a physical cost as well. Everywhere has some natural disasters, and it's good to be prepared in case of a major emergency. For me, locally in the upstate New York area, snow is the biggest concern.

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So having items like a shovel and blankets in the car during the winter just in case makes a lot of sense. If you, however, live in a place like Florida with hurricanes, having an evacuation plan is prudent. Or maybe in a more milder case, having food and water on hand before stores get overwhelmed can give you peace of mind and prevent you from scrambling during real emergency.

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Insurance. Protect yourself. Things will happen over our lives that we may not be fully prepared for, and that's why we have insurance. Insurance is ultimately a transfer of risk from a person to a company. We do this in instances where the risk is rare but real, and the financial consequences can be devastating. Therefore, it's important to review your coverage on a regular basis.

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To recap, make sure that you are financially prepared. This means having dedicated assets strictly for this purpose. You want to be able to maintain your standard of living, even in the face of an emergency. Emergencies are not only a monetary cost but can have a physical cost as well. Using the natural disaster as an example, remember to be prepared for the risks that you might encounter in your area.

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Insurance can be used to protect yourself, especially in the instance of a major loss. It's important to review your coverage with an advisor on a regular basis. It's amazing how quickly life can change, and we don't always make sure that our insurance is keeping up with that same change. So to answer the question, how do I prepare for an emergency? Well... It Depends!

Speaker 1 – Andrew Baron, CFP®, EA