00:00:09:16 - 00:00:34:00

Speaker 1

Welcome, my name is Andrew Barron, and this is Well… I Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question, how do I keep my money safe in a disaster? But before we begin, a short disclaimer.

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The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It's important to consult with a professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it. How do I keep my money safe in a disaster? Well… It Depends!

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Maybe you're thinking about natural disasters such as hurricanes, earthquakes, and wildfires. Or maybe it's economic collapses, cyberattacks, or perhaps even personal emergencies such as job loss or a medical crisis. Whatever the case, protecting your assets means balancing liquidity, security and accessibility. So how do you do it? Well… It Depends!

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Let's break this down into a few key asset categories and then look at what happens to them during a crisis.

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Let's begin with cash and large denomination bills. Keeping cash on hand is one of the simplest ways to have immediate liquidity when systems fail. If the ATMs are down, banks are closed or power outages cut off digital transactions, cash can be a major lifesaver. The upside is the instant liquidity. There's no reliance on third parties, and it remains great for short term emergencies.

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Speaker 1

The downsides, however, are risk of theft, inflation risk since it remains unvested and there are practical limits to how much you can store safely, a balance here might be keeping a few weeks worth of expenses and small and large bills. Stored securely in a fireproof, waterproof, safe. And then we have precious metals and other collectibles. Gold, silver, and even high value items such as watches and art can act as stores of wealth that hold value during uncertain times.

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The upside is historically strong sources of value remain inflation resistant and are globally recognized. The downside here is that there may be little liquidity during a crisis, since there may be few buyers, difficult to transport since it remains a physical asset and is susceptible to theft. If you're using gold or silver as a hedge, it should not be your only emergency asset since converting it to cash can be slow and you may not even get a fair value during a crisis.

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Speaker 1

Then that brings us to real estate and other hard assets. Owning property provides stability, but it is not easy to liquidate when you need cash fast. In a major economic collapse, selling quickly might mean taking a significant loss. The upside is it's a tangible asset, and it may hold long term value and generate income during the times we're not experiencing crisis.

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Downside is it can be illiquid, subject to market fluctuations, and can be vulnerable to damage during disasters. If you're worried about disaster preparedness, making sure that your real estate is properly insured against floods, wildfires and earthquakes can be just as important as owning the asset itself. And then we have cryptocurrency. Crypto can be a modern way to hold and transfer value during certain crises.

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If the banks freeze accounts or the government imposes capital restrictions, crypto remains accessible. As long as you control your private keys, the upside here is crypto is a borderless, digital, hard to confiscate asset that often has fast transactions. There are several downsides, including that it can be incredibly volatile both to the up and downside, and requires internet access.

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Crypto remains unregulated in the US, which means it is susceptible to being stolen and being unrecoverable. Unlike other traditional assets, payments are often limited to peer to peer transactions, as few companies are willing to accept cryptocurrency for payment of goods and services.

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Speaker 1

So what are some strategies for protection? No matter which assets you hold, here are a few principles for keeping them safe during uncertain times.

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Speaker 1

In general, diversify. Never rely on a single asset type. Cash, metals, real estate, and crypto all serve different purposes. Ensure access using devices such as fireproof safes, digital backups, and using trusted financial institutions can make the difference between security and loss. Have a plan? It's important to know how you'd access funds if the power is out, the banks are closed or the internet is down.

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Speaker 1

Keep some liquidity. In an emergency the ability to act quickly is oftentimes more important than having all of your assets perfectly allocated. You should consider keeping a mix of cash for your immediate needs assets like gold or real estate for some stability and a strategy to access your funds in the instance you'd be exposed for theft or loss.

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Speaker 1

Preparedness isn't about predicting the future. It's about being flexible no matter what happens. So to answer the question, how do I keep my money safe in a disaster? Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA