

STATE OF EMERGENCY

PREPARING FOR A FINANCIAL EMERGENCY

- Define Financial Emergency
- Access Your Current Situation
- Get Your Financial House in Order
- Get Your Debt Under Control
- Understanding Your Purchasing Power



○ Purchasing Insurance

○ Habits

○ Create That Fund

○ For Extended
Financial Hardships



Let's Define Financial Emergency

FEMA defines a financial emergency as “any expense or loss of income you do not plan for.”

Medical Bills

Vehicle/Homeowner Repairs

Sudden Unemployment

Death in the Family

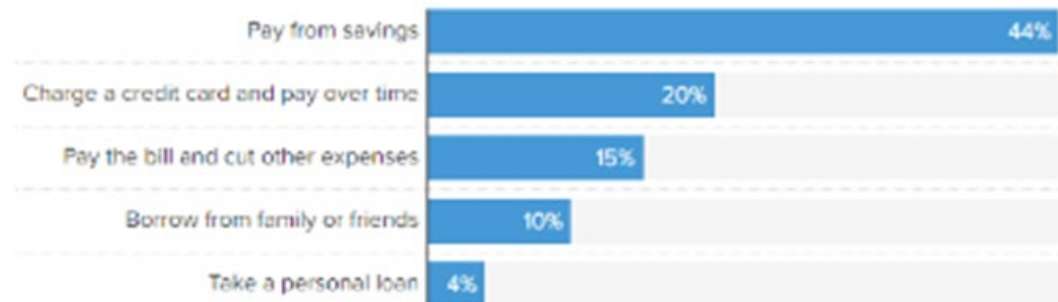
Unexpected Travel

Poll Question:

How many Americans are not able to cover an unexpected \$1000 emergency expense?

- A. 47%
- B. 23%
- C. 70%
- D. 56%

How Americans would cover an emergency \$1,000 bill



Note: A telephone survey of 1,004 American adults conducted in January
Source: Bankrate



Access Your Current SituationKnow Your Budget

- Keep Track of Expenses
- Update Regularly
- Budget by month ...not by paycheck
- Account for Occasional Expenses

***Your Budget should include
your plans for emergencies!***

- Lower Credit Card Balances
- Settle on 1-2 Credit Cards
- Establish a Line of Credit (LOC)
 - Homeowners – Establish a HELOC*
 - Personal LOC



Getting Your Debt Under Control

Understanding the Warning Signs

- Unsure of Debt Amount
- Making only minimum payments
- Accessing Cash Advances
- Maxed out & Over the Limit on Credit Cards
- Collection Calls

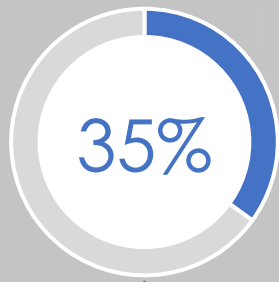
Strategies Using Your Own Resources

- Rework Your Budget
- Liquidate Assets
- Consider Refinance if it fits
- Debt Snowball/ Debt Avalanche Approach



Understanding Your Credit Score

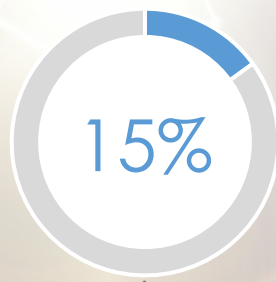
CREDIT SCORE BREAKDOWN



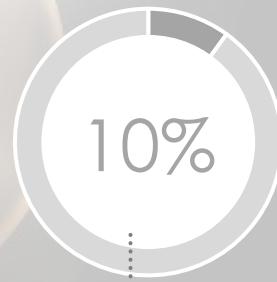
Payment
History



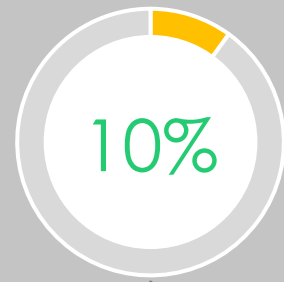
Amounts Owed /
Use of
Available Credit



Length of
Credit History



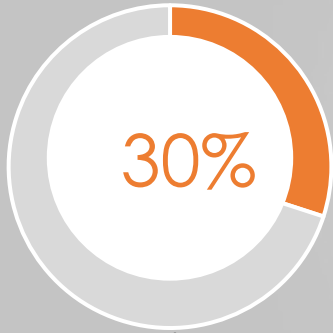
Types of
Credit Used/
Credit Mix



New Credit

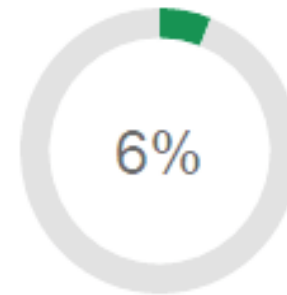
Understanding Your Credit Score (cont.)

CREDIT UTILIZATION RATIO



Amounts Owed /
Use of
Available Credit

Example:
Credit Card Balance Due: \$3,000
Credit Card Limit: \$5,000



Credit Debt
\$3,350
Total Credit
\$53,400

$$\text{Credit Utilization Rate} = \frac{\text{Your Total Debt}}{\text{Your Total Available Credit}}$$

Credit Utilization Ratio (Debt Ratio)

$$\frac{\$3000}{\$5000} = 60\%$$

Purchasing Insurance

Types

- Full Coverage
- Property
- Liability
- Medical

Auto
Insurance



Reimbursement

- Theft
- Fire
- Natural Disaster

Homeowners Insurance

Reimbursement

- Loss or damage to personal property
- Pay for visitor's injuries from the use of rental premises

Renter's Insurance

- Review all disclosures and have your questions prepared
- Read all documents before signing
- Ask questions and do not rush.

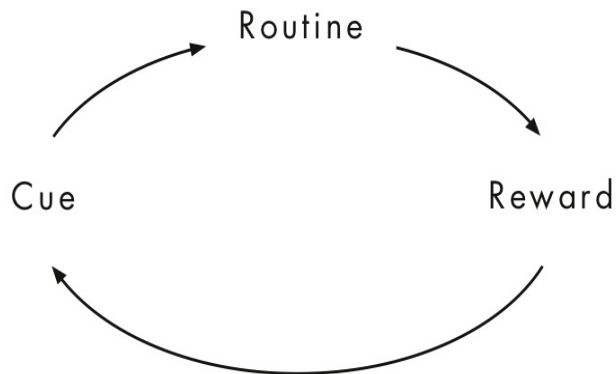
Before Committing

Habits are Powerful!

Power of A Habit – Recognize & Reframe

Habits works through the habit loop

- Cue/Trigger: A location, a time of day, certain people, an emotional state
- Routine: Watching TV, smoking a cigarette, eating chocolate, biting your nails
- Reward: The pleasure chemicals released in the brain because of the routine.



Ways to Reduce Spending

- Review current subscriptions
- Review mobile apps
- Schedule an energy audit for home

Ways to Automating Your Finances

- Pay bills online with auto-pay
- Savings on auto-deposit

Create That Emergency Fund!

The “How?”

- Opportunities in your budget
- Decide which expenses you can forfeit to begin building
- Create small SMART Goals
 - Goal: I want to save \$

- S** Specific
- M** Measurable
- A** Attainable
- R** Realistic/Relevant
- T** Timely

SMART Goal Elements	Related Questions	Example
S = Specific	What are you saving for?	Create an emergency fund
M = Measurable	How much do you want to save?	\$400
A = Attainable	Is this realistic? Is it doable?	Yes, if I earn more or spend less
R = Relevant	Is this worth saving for? Is this important to you?	Yes, to prepare for unexpected costs
T = Time	When will you meet the goal?	In 5 months (20 weeks)

SMART Goal : I want to save \$400 in five months.

Create That Emergency Fund!

Where to Keep Your Emergency Fund?

- Not just any savings account

How Much to Save For Emergencies?

- First...Be realistic with yourself
- Commit to being consistent – Build that habit!
- **Normally, it should cover six months of expenses**



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Poll Question

How many months of expenses should you have should an emergency arise?

- A. 2 Months
- B. 4 Months
- C. 6 Months
- D. 8 Months



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For Extended Financial Hardships

Look into Government Assistance

- www.benefits.gov
- Veterans: www.va.gov/health-care/pay-copay-bill/financial-hardship/

Explore “zero interest” financial options...**ONLY** if you **KNOW** you can repay!

Rework payment options with your creditors

Contact a credit union for a loan rather than a payday loan.



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