

Surviving a Financial State of Emergency

STRATEGIES FOR FAMILIES AFTER A DISASTER

Disasters can create serious financial crises for families. Insurance may not cover as much as anticipated. Homes and jobs may be lost. Family members may be out of work due to injuries. In an ideal world, families have adequate cash reserves or credit to draw on for disasters. But reality is often far from ideal.

Making decisions about repairs and purchases, and developing resources to maintain your home can be difficult. However, some basic financial tools and household saving strategies can help you survive an emergency. In some cases, you may be able to make ends meet by making changes in the way money is handled every day.

FINANCIAL TOOLS

- ◆ *Cut back on current spending* as much as possible.
- ◆ *Use cash reserves* if you have them. When the emergency passes, rebuild your reserves.
- ◆ *Use unsecured credit*, such as a credit card, but use it wisely. Whenever possible, pay your balance in full to avoid finance charges. If you know that you will need several months to repay, consider taking out a loan rather than charging things on a credit card. Finance charges are likely to be lower for the loan than for the credit card. If you think you will be late making payments or you if have missed payments, contact your creditors immediately to make special arrangements.
- ◆ *Borrow against your assets*. If your home survived the disaster, you may be able to borrow against a portion of the equity through refinancing, a second mortgage or a home equity line of credit. Or you may be able to borrow against your equity in an employee pension plan or whole life insurance policy.
- ◆ *Liquidate assets*. You may want to consider selling major assets to generate cash. This will require making some difficult decisions about your priorities.
- ◆ *Discuss options for reducing interest charges on outstanding loans* with your creditors.

LOOK FOR WAYS TO SAVE

- ◆ Look at each monthly bill to see if you can make reductions and still keep the item or service. Telephone bills are a good place to start, especially if you have additional services that could be dropped temporarily, such as a second line or call waiting. Try lowering long distance charges by making fewer calls, shorter calls or calling when rates are lowest.
- ◆ Examine bills for cable TV, electricity, water and car maintenance for places to save. Utilities, such as the electric company, will help you with ideas to reduce costs, including use of balanced billing plans to even out expenses.
- ◆ Talk to insurance agents about ways to reduce costs. In some cases, deductibles can be raised, coverage lowered, life insurance converted to lower cost plans, or life insurance on children discontinued.

- ◆ Consider bartering. If you need repairs done in your home, consider exchanging your skills for the repair service you need. Some communities have bartering networks and groups, but you may be able to barter with a relative, neighbor or friend. Some examples are exchanging wallpapering for lawn mowing, fixing leaks for car repair, resume preparation for appliance repair.

LOOK FOR WAYS TO DO WITHOUT

- ◆ What things could you do without for a few months? Consider such overlooked expenses as newspaper or magazine subscriptions, hair care and/or beauty treatments, clothing, classes or lessons, sports leagues, nights out, vending machine snacks or buying meals at work.
- ◆ Learn nice ways to say no. It may be to a salesperson on the phone, a friend asking to do something that costs more than you care to pay, or a child saying, "Everybody has one." Some easy ways of saying no are:
 - a) "That's something we've decided not to buy right now."
 - b) "That's a great price, (product, offer, idea) but I'm afraid I have to pass for now."
 - c) "Let me think about it."

To children, suggest, "That's something you can buy with your allowance," or "Let's think of some ways for you to earn or save the money to buy it."

- ◆ Shop less often and with a written list. Time spent in stores encourages spending money, especially when shopping trips are not essential. Take only as much cash as you can reasonably spend. Don't carry credit cards or ATM cards.
- ◆ Look for alternatives to making new major purchases. Borrow an appliance from a family member or friend. Or buy an inexpensive used model through the newspaper, a friend or a garage sale.

Additional resources:

Your county family living agent, your local emergency government office, the American Red Cross, the Federal Emergency Management Agency

Related publications:

UW-Extension publications—

"Managing Between Jobs — Deciding Which Bills to Pay First," (B3459-3);

"Managing Between Jobs — Strategies for Spending less," (B3459-2);

"Managing Between Jobs — Talking with Creditors," (B3459-4);

"Making Ends Meet: Our Spending Plan," (B7760313).

ADDITIONAL SOURCES OF INCOME

If physical damage to your home was minor, you might consider temporary room rental as an additional source of income. Be sure your local regulations and zoning laws permit room rental. Garage sales may be a good way to bring in extra cash if you have undamaged items that you no longer need. Consider a cooperative garage sale with family, friends or neighbors.