

FINANCIAL WELLNESS

COPING WITH FINANCIAL CRISES

Life has a way of throwing unexpected financial roadblocks, detours and potholes in our path. These might be large medical bills, car or home repairs, a death in the family, loss of a job or expensive legal situations. Such financial emergencies can derail your efforts to save for retirement. The following are some strategies for managing financial crises.

Establish an Emergency Fund

This can lessen the need to dip into retirement savings for a financial emergency. Building an emergency fund is tough if income is tight, but every dollar can help. Fund an emergency fund with pay from extra working hours or a temporary job, a tax refund or a raise. Put the money into a low-risk, accessible account such as a savings account or money market fund.

Insure Yourself

Insurance protects your financial assets, such as your retirement funds, by helping to take care of the really big financial disasters. Consider the following list of insurance coverage to help protect your assets.

- **HEALTH.** If you and your family aren't covered under an employer's policy, try to buy catastrophic medical coverage on your own.
- **DISABILITY.** Social Security Disability Insurance can pay yours and your family's benefits if you are severely disabled and are expected to be so for at least 12 months. Workers' compensation only helps you if the disability is work-related. In addition, your employer may offer some disability coverage, but you may need to supplement it with private coverage.
- **RENTERS.** Homeowners usually are insured against hazards such as fire, theft and liability, but the majority of renters aren't. Renter's insurance is inexpensive.
- **AUTOMOBILE.** Don't drive "bare." In many states it is against the law to drive without auto coverage, and it is also very costly if you are in an accident.

- **UMBRELLA.** This provides additional liability coverage, usually through your home or auto insurance policies, in the event you face a lawsuit.
- **LIFE.** Having life insurance can help you or your spouse continue to save if either one of you dies before retirement. Social Security may be able to pay benefits to your spouse and/or minor children. On the other hand, you may not need life insurance if no one depends financially on you. There are many types of life insurance, with a variety of fees and commissions attached.
- **LONG-TERM CARE.** This insurance can help pay for costly long-term health care either at home or in a health care facility or nursing home. It protects you from draining savings and assets you could use for retirement.

Borrow

If you must borrow because of a financial emergency, carefully compare the costs of all options available to you.

Sell Investments

It's usually advisable to sell taxable investments first. Try not to touch your faster growing retirement accounts. Taking money out of your retirement accounts could trigger income taxes and penalties.

Article adapted from the U.S. Department of Labor publication of the same title. www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/savings-fitness.pdf