



Wealth Planning Report

Financial Uncertainty When the Unexpected Hits

Serious life challenges, often unimaginable, happen unexpectedly. A sudden job loss, a terminal diagnosis, a divorce summons, a huge lawsuit directed at you, some natural disaster that wrecks your home or business—any of these may cause not only traumatic distress but can make your entire financial future uncertain at the same time.

While a substantial portfolio saved over the years or an extensive resume might mitigate much of the financial uncertainty for events like a job loss, affluence and experience don't assure in any way that you're guaranteed to sidestep worse financial setbacks related to health or accidents—including the need to care for a spouse or child—impacting your ability to work, or your ability to work at all.

Example: By age 70, nearly all Americans (96 percent) will have experienced four or more major life events such as a layoff, illness or divorce that cause their incomes to drop 10 percent or more. And at least once over the course of their working lives, six in ten workers go a full year or more without earnings, according to the National Endowment for Financial Education.

Here are ideas how to navigate those unavoidable times of uncertainty and allow you to emerge on the other side either mostly intact or, by luck or grace, even in a better place than before.

Damage Control Assessments

Regardless of what causes your unexpected financial shock, the first step afterward is to reach out to an experienced trusted advisor, whether an accountant or wealth manager. It's important to assess and perhaps stress-test—how those sudden changes could likely impact your financial future—and determine what changes to make in your financial planning.

The extent of a financial review, and whether your planning will need to be updated, will depend on how substantial the life challenge is, how long it may last, and the complexity of your financial situation and relationships at the time. Some discussion points likely to be raised include:

- **Your budget.** If there's suddenly a lot less money coming in, it's imperative to examine the money that's flowing out and slow the flow. Those who track their spending

by categories can quickly separate the necessities from the luxuries. If not, gather up your spending records and decide what cuts must be made for a while.

- **Your cash cushion.** Chances are, you have some sort of reserve fund for unexpected events. But is it adequate given the serious situation you're facing? Cash cushions often rise and fall. If your fund needs to be bigger, consider ways to raise more cash or put in place ways to borrow to meet immediate demands for a long transition.
- **Your insurance coverage.** If your house has a fire or suffers a flood or windstorm catastrophe, you'll want to clarify—fast—what your insurance policy does and doesn't cover, and how to place a claim and know your responsibilities.
- **Your asset protection arrangements.** If someone gets hurt on your property and sues you, are you sufficiently protected? Many people ignore such a possibility until they have such a predicament. Likewise, if your company or those associated with it are sued for a cyber breach or product failure, what (if any) asset protection strategies are in place—for you and how strong are they?

Good News or Bad News

Say your present wealth planning has you well positioned to ride out a financial shock that happened. While that may be true objectively, you might not feel that's true. When our lives are upended, the loss of control over what we normally experience can make it tough to believe we're really okay.

If you find yourself feeling anxious or distressed despite evidence that you're in fair financial shape, consider these steps:

1. **Do some healthful activities.** Calm the body and mind—yoga, meditation, running, weightlifting and so on. Seek out counseling or a good friend who is willing to listen to your concerns. The obvious moves are obvious for a reason: They tend to work!
2. **Control what you can.** When something like a job loss or even a death pulls the rug out from under you emotionally, identify what you can control in other areas of your life. Cooking more at home will reduce restaurant spending, stop expensive vacations and travel locally, and be more selective

when shopping. Actively choosing to take money-saving actions, even if they're not necessary, can be reassuring.

- 3. Reframe the situation.** A sudden financial problem in a real estate deal or other big transaction can make you feel like a failure. Remind yourself that other people also experience bad things (see those statistics from earlier). Read stories of people now hugely successful but who fell on their faces somewhere in their life journey. Beginning each day of the crises, write down three things for which you are grateful. That will help you focus on the positive of life and not just today's negative. When not mentally buried under a mountain of stress, you will tend to make wiser choices that help you avoid mistakes and get you back on track, faster.

But if the financial uncertainty is truly serious, it's time to adjust and regroup—get help and guidance from one or more financial professionals. Action steps could include the following:

- 1. Prioritize, prioritize, prioritize.** What must happen in order to pay the bills and, somehow at very least, get by for the next few months? Focus on those essential expenses and pause on the rest. If you are newly jobless, that could mean filing for unemployment and deciding which assets are available for cash. If your spouse has died, work with a professional who can walk you through all the steps. For example, money may be needed from life insurance policies, personal and group, or from Social Security survivor benefits, if available.
- 2. If you need help, ask for it.** Some family members may be in a position to loan or even give you money if asked. Likewise, lenders, health care providers and others are often willing to work with people with unexpected troubles by adjusting payment terms and setting up

extended payment plans—assuming you reach out to them before missing payments. And don't forget that a trusted CFP® professional or accountant can be a valuable source of information, and often willing to share their time gratis.

Conclusion

Ideally, you'd always be perfectly prepared for an unexpected hardship. But the future is always unknowable, and always changeable. All too often, what happens is something you never thought about or imagined. All the more reason to work with a trusted CFP® professional beforehand when you can be positioned to be protected from many of those uncertainties.

Clients who I convinced years ago to buy disability insurance or long-term care insurance when they were younger and healthy, invariably complained about the cost—but were so glad years later after when the absence of that insurance would have been a financial disaster for them and their families. They could live out their lives with dignity and peace of mind.

While many uncertain events are no so dramatic or impactful, it's always wise to recognize that you can be blindsided by sudden bad news with no time to plan. The shock at the time makes it hard to know whether, in the midst of a crisis, whether you are still on solid financial ground. Worry from uncertainty compounds the trauma.

If you're ever faced with a severely uncertain situation, know that there are informed ways to regain clarity—and to discover what steps can be taken to get back on track. As a key part of your wealth planning, make the effort to know in advance who you can to ask when help is needed most.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please [contact us](#).



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Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first fiduciary planning firms that specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer acting in best interest of clients. He brings together a proven process and a network of specialists for making informed decisions for systematic strategies, secure income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award, and featured him with others in *The Wall Street Journal* and other publications.

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