

Rewind: If You Had the Time to Plan for a Sudden Serious Illness or Death in the Family, What Would You Do?

Rewind is an occasional *Financial Planning Perspectives* feature that deals with an emergency or a sudden event as if your readers had the proper time and resources to plan for it. In reality, we all do – if we devote time to thinking about it when all is well.

A sudden death or serious illness in the family can knock spouses and other family members for a loop. If the primary breadwinner dies, what will happen to that income? If the family member is underinsured for a particularly costly illness, how do you cover the debt? These and dozens of other questions may pass through your mind if this happens to a member of the family.

Now imagine this – what if you had three months to prepare for such an emergency? Granted, it's tough to think about. But if you had that warning, here are some major things you should have in place:

An emergency fund: If a primary breadwinner gets seriously ill or dies, what will you need in the meantime? Cash. While most experts recommend you keep six months' worth of living expenses in a joint account, consider establishing a standby line of credit while times are good if you haven't yet built up an emergency fund. The credit line won't cost anything unless you use it, so designate it *only* for a serious emergency.

A centralized location for important papers: Buy a fireproof box you can keep safely in your home and make it the centralized place for life and health insurance documents, notes on funeral arrangements, wills and advance directives and durable powers of attorneys for health care. Don't have any of these documents or need to know what they are? Read below, and for personalized advice, consult a financial planner.

A list of critical phone numbers: When you're in a stressful situation, it's tough to think what you should do first, much less who to contact for help or support in the days and weeks afterward. Depending on your personal situation, take some time to create a truly useful phone list you can refer to in an emergency. Include everyone – doctors, babysitters, human resource managers at your (and your spouse's) employer, attorneys, financial planners, bankers and credit card companies. Put it in your important papers file.

Updated wills: If you and your spouse have wills that are more than five years old or you've never made them in the first place, make them *now*. If one or both of you dies, there may be complications settling the estate, particularly if you have children from previous marriages.

Current health care advance directives, health care powers of attorney and financial powers of attorney: A health care advance directive is a formal, preferably notarized instruction sheet for doctors to follow in case you are incapacitated. The most commonly known health care directive is a do-not-resuscitate (DNR) order. The Terry Schiavo case illustrated the family rancor and financial cost that can ensue if a person becomes irreversibly ill without a clear indication of their medical wishes. A health care power of attorney designates a particular individual – a spouse, a friend, an adult child – to carry out your medical wishes if you are incapacitated. Meanwhile, financial powers of attorney designate an individual to handle financial affairs if the sick or deceased are single or did not designate joint tenants for certain assets.

An index of assets: Thinking in terms of getting sick or dying three months from now puts a fine point on your survivors' need to know where your assets are. The process of putting together a will may help you focus on estate issues, but a really helpful gesture would be the creation of an index of all your savings, investments and other key assets – what they are and most important, where they are located. A good financial planner will keep you on schedule with listing and updating this information.

Care for pets: It may seem trivial to some, but pet care is one of the most often overlooked areas of planning. You should pre-arrange for their care with a friend or loved one in the case of your incapacity or death.

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