

# Promoting Financial Wellness to Motivate People to Make Sound Financial Decisions and Save for an Uncertain Future

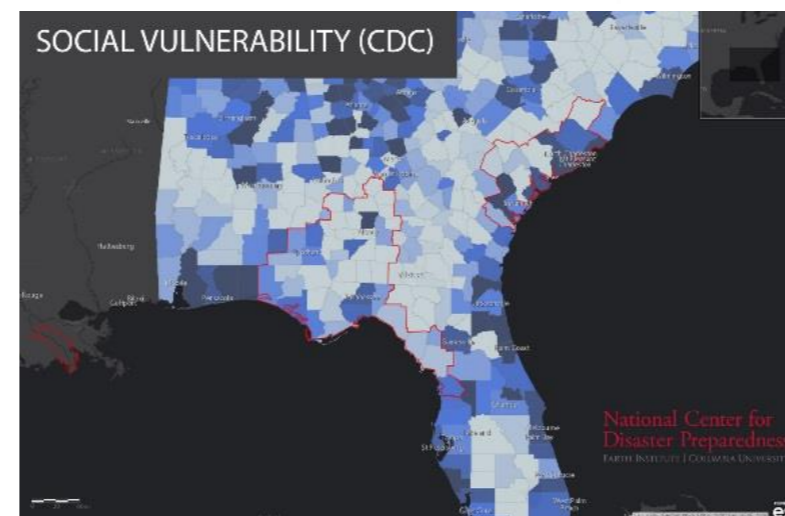
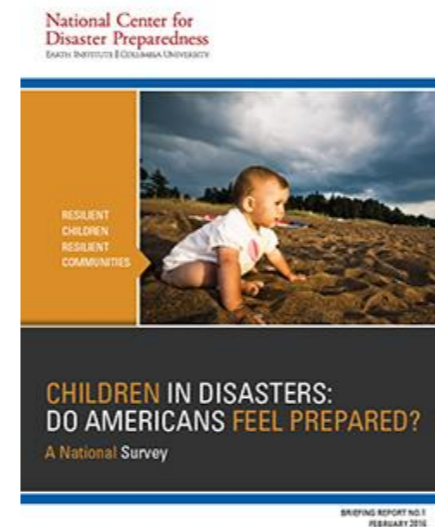
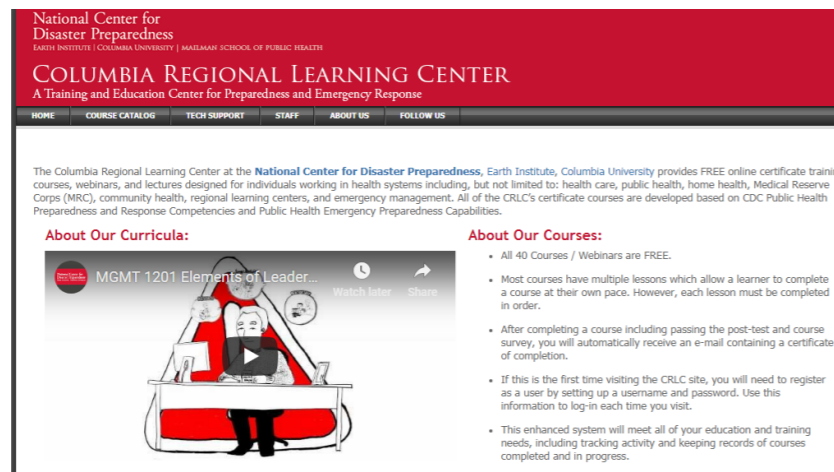
Jeff Schlegelmilch, MPH, MBA

# About the National Center for Disaster Preparedness

- Established in 2003, the National Center for Disaster Preparedness works to understand and improve the nation's capacity to **prepare** for, **respond** to and **recover** from disasters.
- Four focus areas:
  - System readiness
  - Disaster recovery
  - Citizen engagement, and
  - Vulnerable populations
- NCDP carries out **research** and **policy analysis** in these areas, and provides **education, training and technical support** to public health workers, local and regional governments, and public health, hospital, and community partners.

# About the National Center for Disaster Preparedness, Columbia University

The National Center for Disaster Preparedness at Columbia University's Earth Institute works to understand and improve the nation's capacity to prepare for, respond to and recover from disasters. NCDP focuses on the readiness of governmental and non-governmental systems; the complexities of population recovery; the power of community engagement; and the risks of human vulnerability, with a particular focus on children.



# Economic Recovery as a National Objective

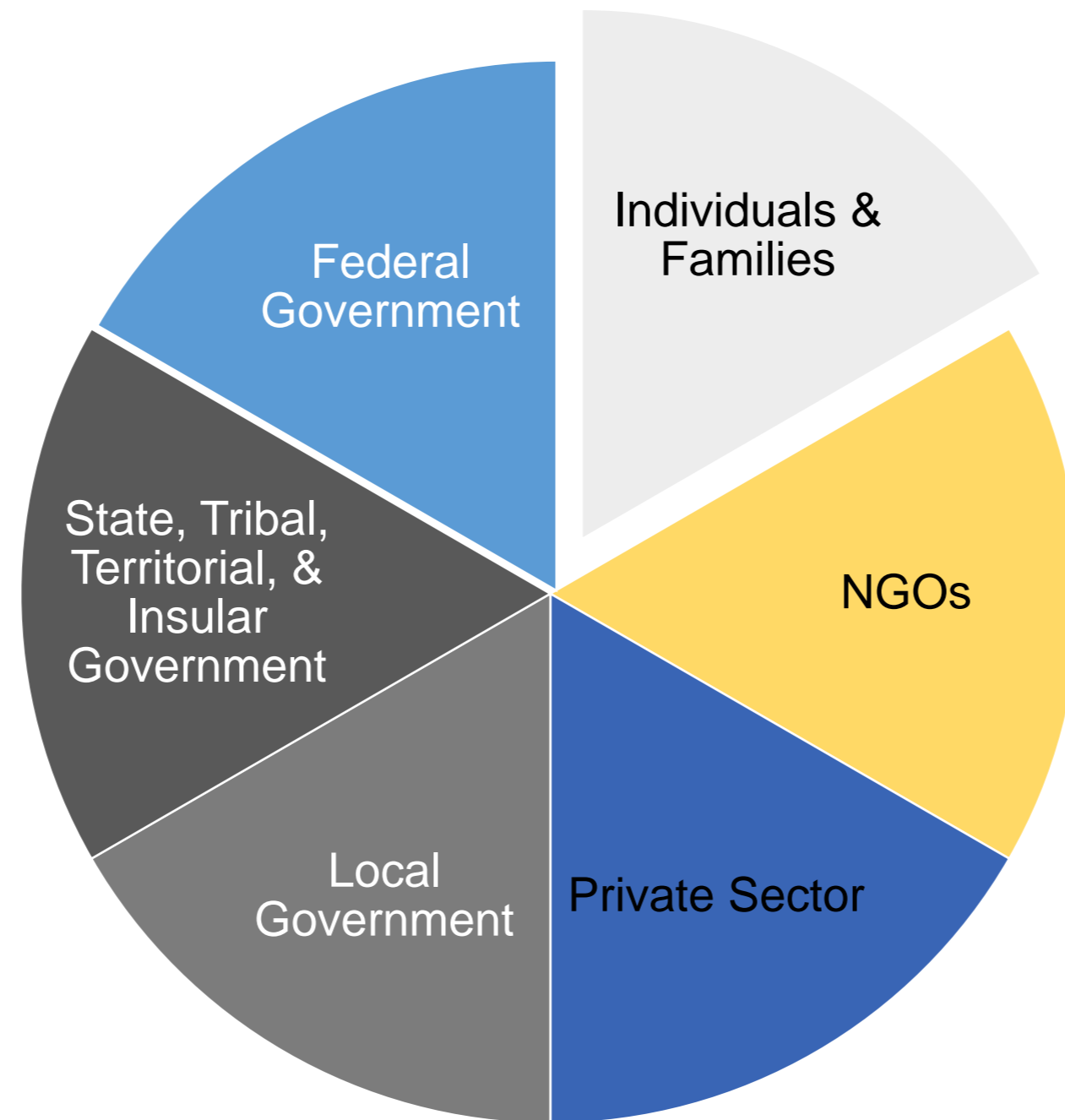
- Sharing, aggregating, and integrating economic impact data to assess economic issues
- Implementing economic recovery strategies that integrate the capabilities of the private sector
- Ensuring the community recovery and mitigation plan(s) incorporate economic recovery and remove inhibitors to post-incident economic resilience, while maintaining the rights of all individuals



# 8 Guiding Principles of NDRF

1. Individual and family empowerment
2. Leadership and local primacy
3. Pre-disaster recovery planning
4. Engaged partnerships and inclusiveness
5. Unity of effort
6. Timeliness and flexibility
7. Resilience and sustainability
8. Psychological and emotional recovery

# Community Recovery Roles



# Financial Literacy

## Macro Financial Literacy

- Fiscal policy
- Monetary policy
- Economic trends
- etc...

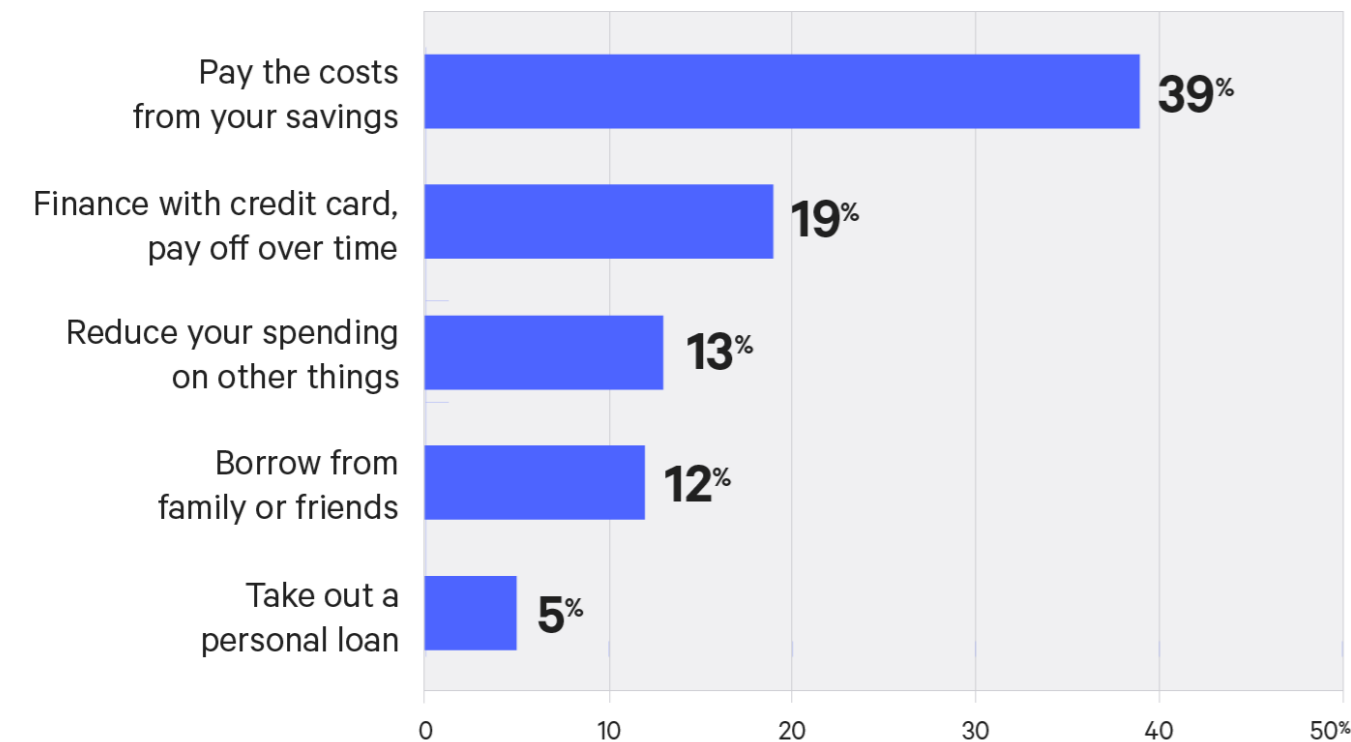
## Micro Financial Literacy

- Personal finance
- Personal debt management
- Loss prevention
- Insurance coverage
- etc...

# Financial Security

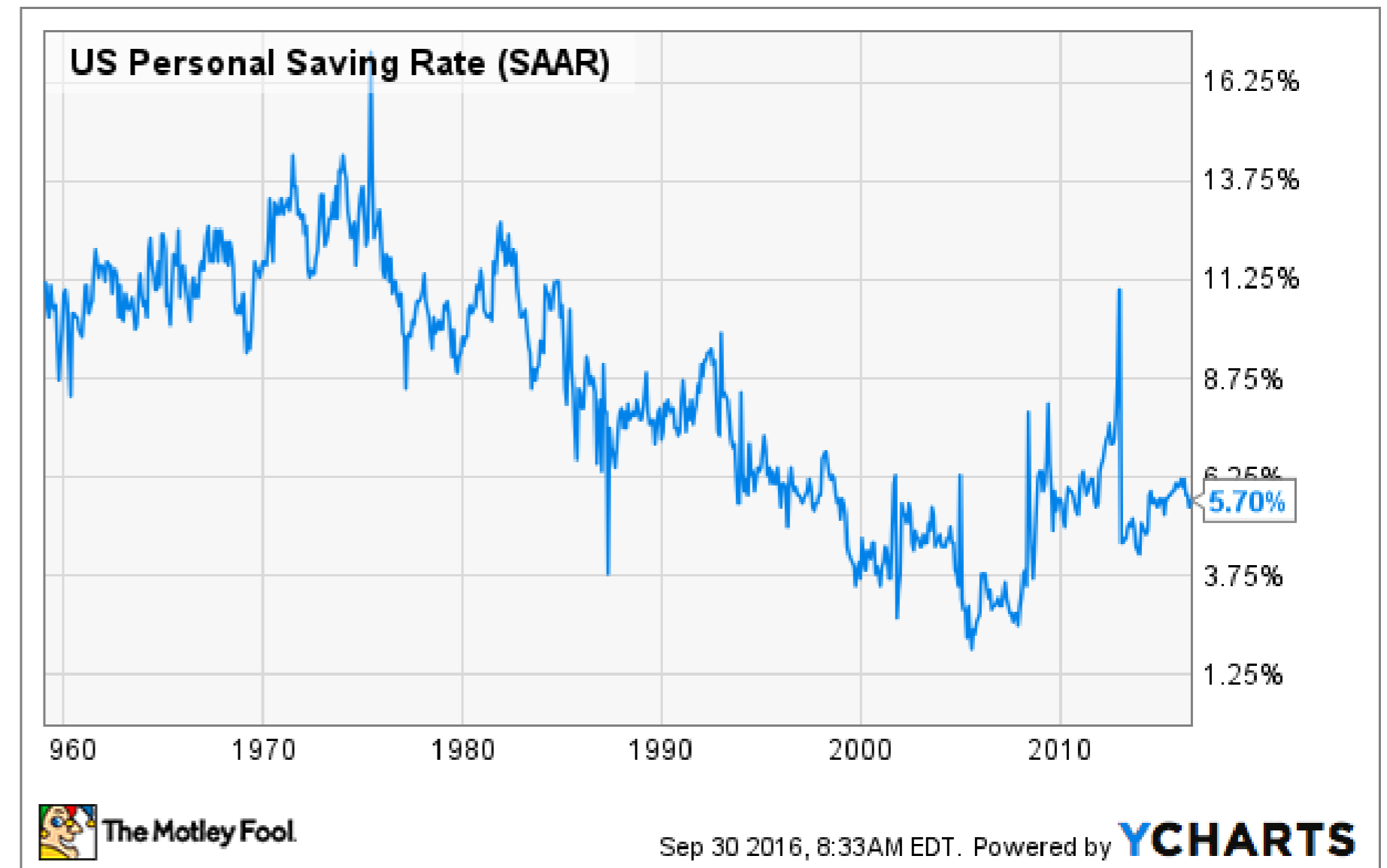
## How Americans pay for unexpected expenses

How would you deal with a major unexpected expense, such as \$1,000 for an emergency room visit or car repair?



Responses not shown: Something else (6%); don't know/refused (6%).  
Source: Bankrate's Financial Security Index, Jan. 3-7, 2018  
<https://www.bankrate.com/banking/savings/financial-security-0118/>

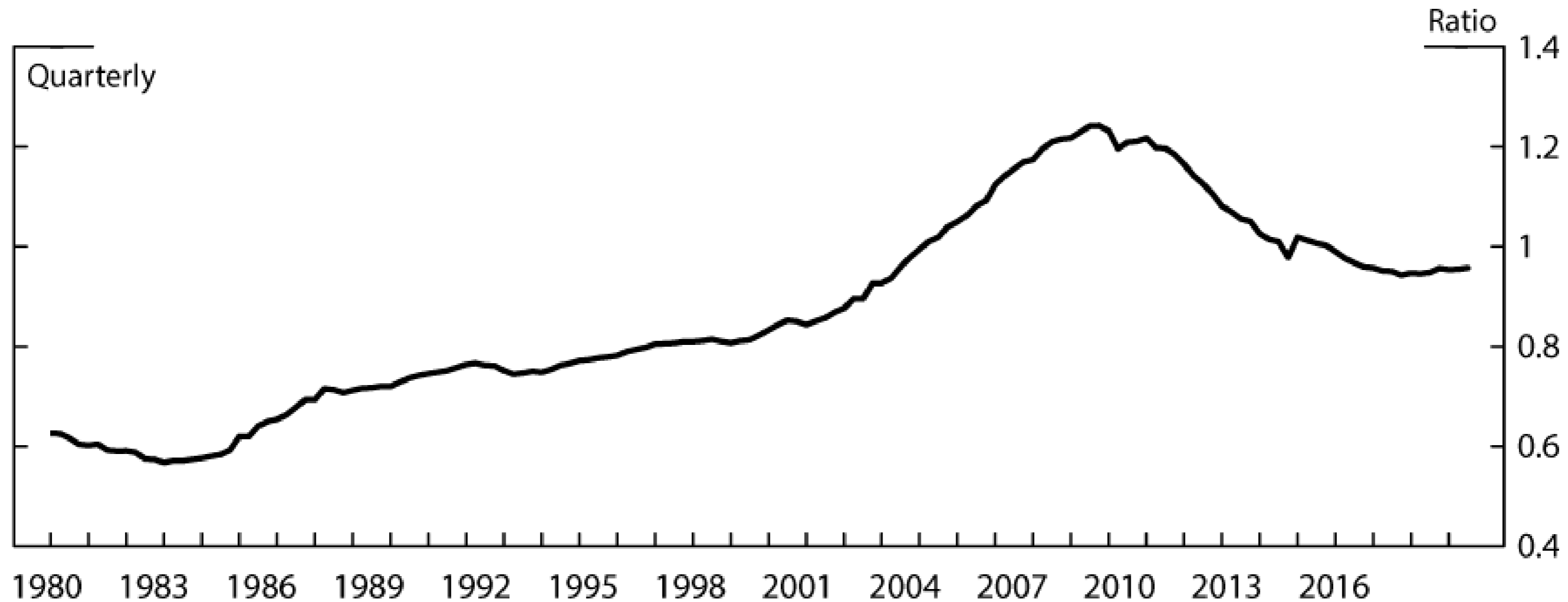
Bankrate



National Center for  
Disaster Preparedness  
EARTH INSTITUTE | COLUMBIA UNIVERSITY



# Household Debt to Income Ratios



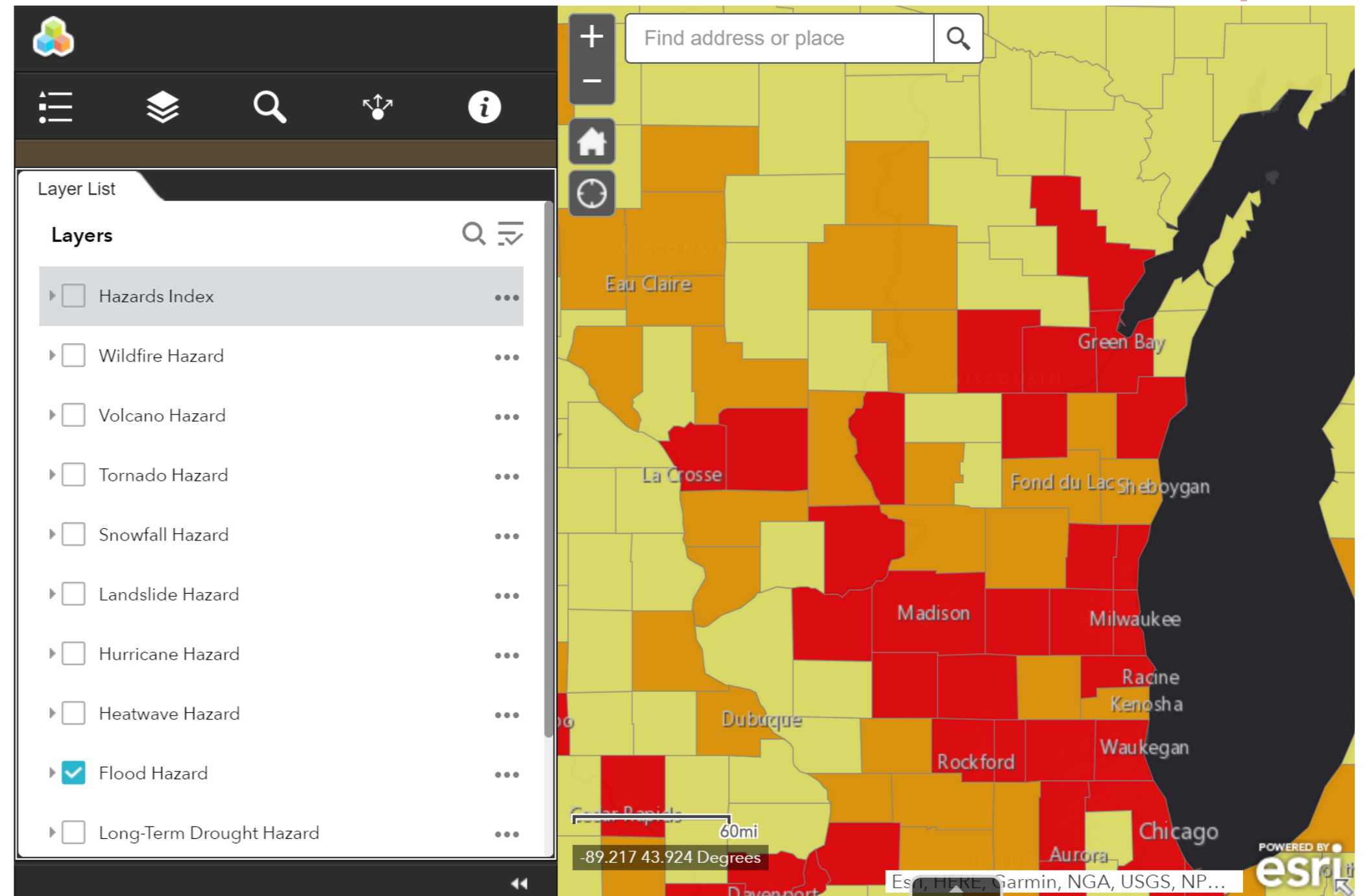
Source: Federal Reserve <https://www.federalreserve.gov/econres/notes/feds-notes/household-debt-to-income-ratios-in-the-enhanced-financial-accounts-20180109.htm>

# Before the Disaster

- What **Assets** do you have?
  - Types of assets
    - House
    - Car
    - Property
    - Savings
    - Investments (retirement, etc)
    - Access to Credit
  - Work benefits (vacation time, etc)
  - Degrees of liquidity
    - What can you get can get cash for faster...
- What **Liabilities** to do you have?
  - Monthly payment obligations
  - Mortgage/Rent
  - Car payment
  - Insurance Payment
    - Car
    - Property
    - etc
  - Other debt servicing (e.g. Credit Cards)
  - Revenue dependence (hourly vs salaried, etc)?
  - Long-term Costs (e.g. retirement)

# What are your risks?

- What kinds of threats/hazards are you at risk of experiencing?
  - Your community
  - Your assets
- Beware of terms like “100 year floods”



Source: <https://ncdp.columbia.edu/library/mapsmapping-projects/us-natural-hazards-index/>

# Insurance Options

- Adequate insurance coverage is critical
- Need to check with agent about what is covered
  - Physical losses?
  - Flood related losses?
  - Business interruption?
- Learn about deductibles
- How will you make claims, receive payment, out of your insurance plan?
- What records will insurer need to see?
- Consider investing in business interruption insurance:
  - Covers costs of closing facility
  - This type of business interruption insurance is often not covered by property insurance
  - Can be added on to existing insurance policies.



# Access to Credit

- Credit history
  - Established credit history
  - Record of paying off debt
  - Collateral debt versus non-collateral
    - Home equity versus credit card
  - Credit limit and rates are set based on credit history (private credit)
  - Credit score monitoring and improvement





# Cost Recovery Options

- Insurance
- Credit
- State and Federal programs
- Private options
- Community level business resources
- Faith based orgs and non-profit charities



# Federal Program Options



## Community Development Block Grant (CDBG) Disaster Recovery

After considering insurance, FEMA and SBA, this is the next place to check. Used for disaster relief and recovery involving housing, economic development and rebuilding infrastructure.



## Economic Development Administration

Grants for planning, infrastructure restoration, economic development and disaster recovery coordination. Works through a network of economic development districts. Smaller source than CDBG-DR but more flexible with fewer requirements.



## Department of Labor

National Dislocated Worker Grants to help recover from plant closures and layoffs due to disasters. A quick reemployment and workforce development strategy. The funding covers creation of temporary jobs involved with disaster recovery for six months.



Committed to the future of rural communities.

Focus is on rural communities (less than 50,000 population). Various forms of assistance for rural homeowners and tenants, communities, and businesses. Numerous loan & grant programs: Home repair, water and waste disposal, community facilities, business and industry loan programs. Also revolving loans for businesses.



## COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

From the Department of Treasury. Overall focuses on economic recovery of distressed areas. Grants and tax credits to promote growth in urban and rural low income areas. Economic development, job creation, real estate development, housing. Max \$5 million in assistance

# SBA Loan Program

- Low interest below market loans, long duration (up to 30 years) to individuals or businesses for property not covered by insurance.
- **Physical disaster loans** often used for home repair. \$200,000 max.
- Business loans for physical damage. Up to \$2 million. Machinery, property, etc.
- Small businesses and nonprofits can also receive **economic injury disaster loans** to help offset the inability of businesses to pay operating expenses due to disasters.



# Documentation Requirements

- ✓ Apply at disaster site, by mail or online at: [disasterloan.sba.gov/ela](https://disasterloan.sba.gov/ela)
- ✓ A loan applicant must have a credit history acceptable to the SBA and be able to demonstrate the ability to repay all outstanding loans.
- ✓ A loan officer and case manager will walk you through the process.
- ✓ Need to provide a variety of tax forms and other documentation. All schedules of recent taxes are needed. Business Loan Application is called SBA Form 5.

# Documentation Requirements

- ✓ IRS Form 4506-T & IRS Form 8821 needed; Also need to provide a Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant
- ✓ Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).
- ✓ Collateral requirements: Real estate, when available, but loans not contingent on collateral.



# Special tax laws/provisions

- Special tax law provisions may help taxpayers and businesses recover financially from the impact of a disaster
  - More time to file taxes
  - Faster refund
  - Claiming losses related to the disaster
- Special provisions passed as part of disaster relief supplemental legislation
- IRS has information resources to support individual and businesses

Source: <https://www.irs.gov/businesses/small-businesses-self-employed/disaster-assistance-and-emergency-relief-for-individuals-and-businesses>

# Fraud

## Types of Fraud

- Charitable solicitations
- Websites and internet
  - Solicitations
  - Personal Information
- Identify theft / forgery
- Price gouging
- Contractor/vendor fraud

## Factors Contributing to Fraud

- Public trust (insurance, government, etc)
- Confusion / uncoordinated services
- Lack of available resources
- Limited availability of services (e.g. electricians)
- Certain populations tend to be targeted (poor, elderly, etc).

Source: Fraud magazine <http://www.fraud-magazine.com/article.aspx?id=4294967697>

# Mistakes versus Fraud

- Fraud is a criminal act, but mistakes happen (e.g. multiple claims across programs)
  - Mistakes need to be paid back, further straining finances
- Many programs are inherently defensive
  - Many people are denied claims and give up, when they are actually eligible
- Case management is emerging as one of the most important post-disaster services

# Emergency Financial First Aid Kit

1. Compile documents and contacts
  2. Review policies and financial paperwork
  3. Safeguard documents (paper and electronic)
  4. Update regularly (scheduled as well as life changes, moving, etc)
- ✓ Checklists and tip sheets
  - ✓ Links to external resources



Source: <https://www.fema.gov/media-library/assets/documents/96123>



# Disasters and Financial Planning

## Chapters:

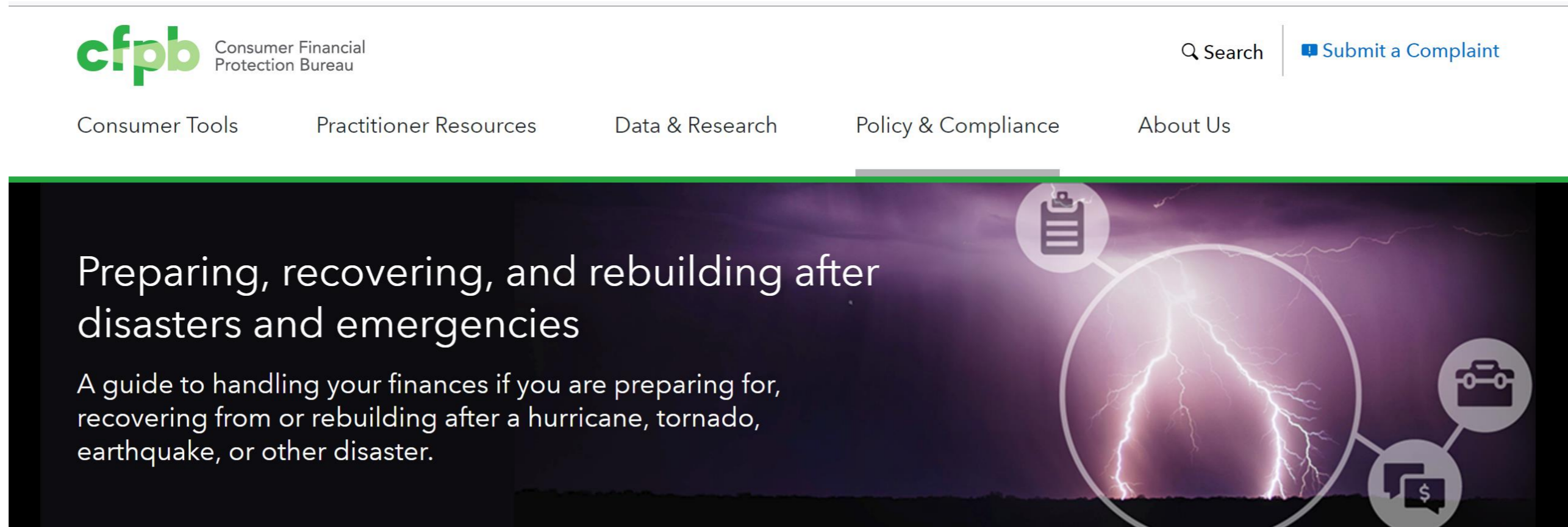
1. Making a Disaster Plan
2. Protecting Your Property
3. Protecting Health and Life
4. Protecting Your Loved Ones
5. Protecting Your Records
6. Recovering From A Disaster

- ✓ Checklists for planning
- ✓ Lists for questions and considerations





# Three Steps to Prepare Your Finances for Natural Disasters



The screenshot shows the top navigation bar of the Consumer Financial Protection Bureau (CFPB) website. The logo 'cfpb' is on the left, followed by 'Consumer Financial Protection Bureau'. On the right, there is a search bar and a 'Submit a Complaint' button. Below the navigation bar, there are five menu items: 'Consumer Tools', 'Practitioner Resources', 'Data & Research', 'Policy & Compliance', and 'About Us'. The main content area features a dark purple background with a lightning bolt icon in a circle. To the left of the lightning bolt, the text reads: 'Preparing, recovering, and rebuilding after disasters and emergencies'. Below this, it says: 'A guide to handling your finances if you are preparing for, recovering from or rebuilding after a hurricane, tornado, earthquake, or other disaster.' To the right of the lightning bolt, there are three circular icons: a clipboard, a briefcase, and a speech bubble with a dollar sign.

- ✓ Video tutorials
- ✓ Links to additional resources

# Small Business Risk

- 74% of small businesses lack a disaster plan
- 84% lack disaster insurance
- 71% do not have a backup generator

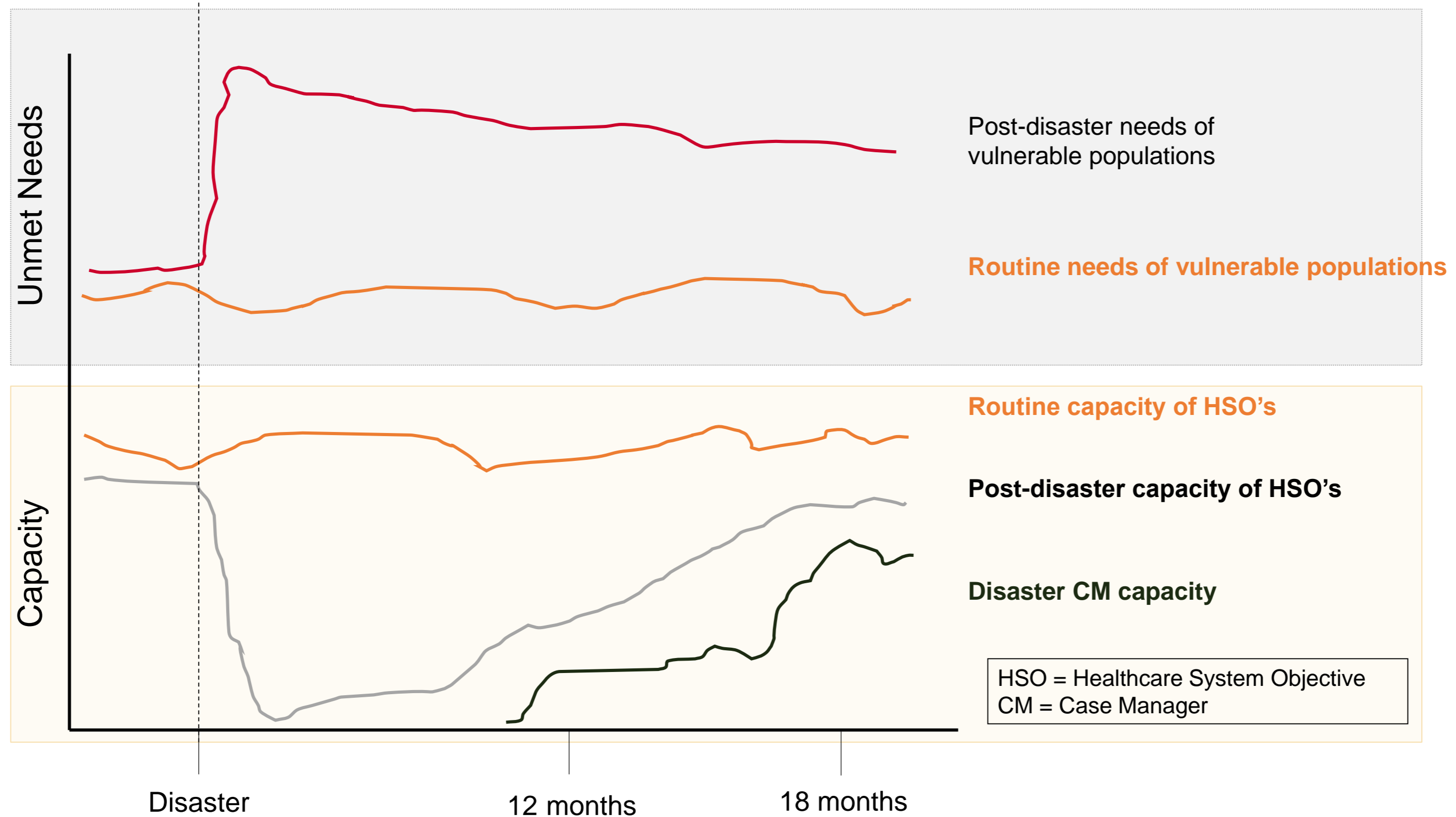
→ *Any of these could lead to a loss of records and can complicate recovery.* (Source: Alibaba, Vendio, and Auctiva)

- 93% of businesses that suffer significant data loss are out of business within 5 years

(Source: U.S. Bureau of Labor Statistics)



# Economic Recovery and Impact



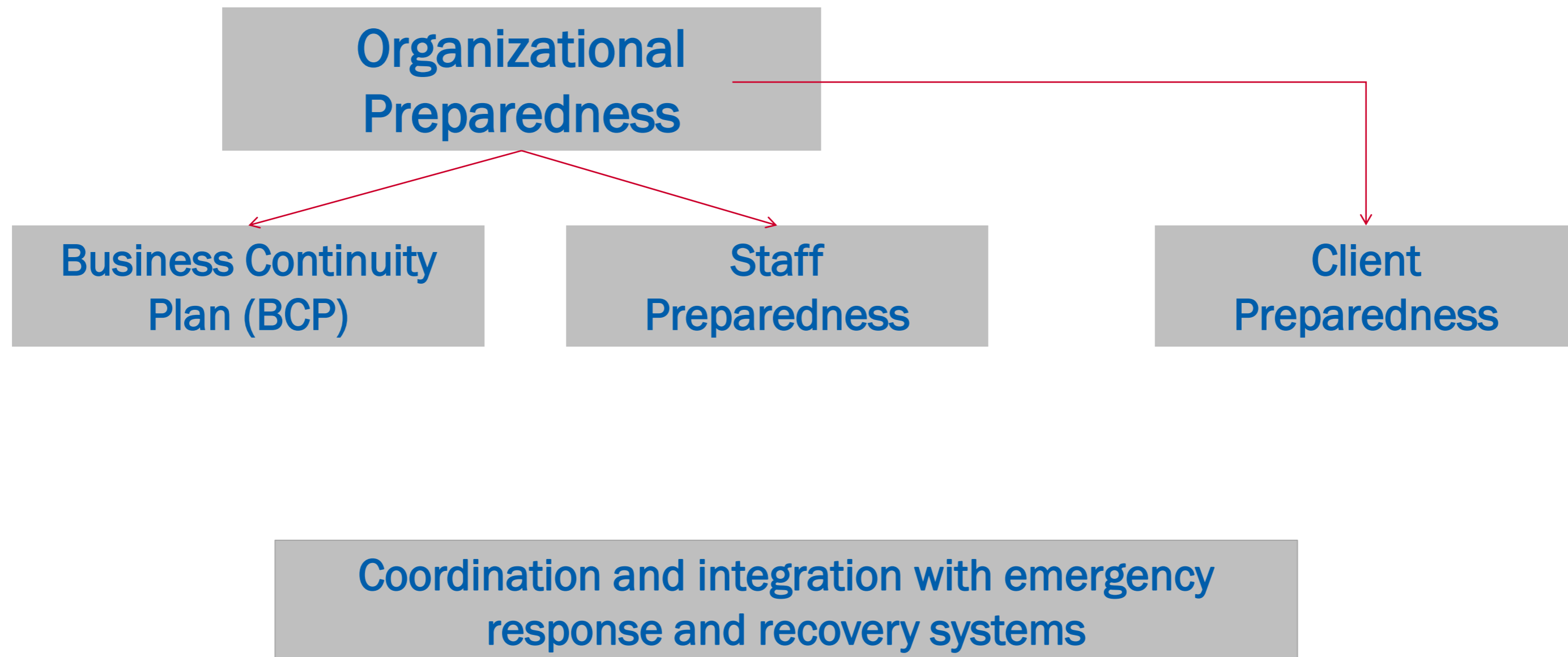
# Benefits of Business Continuity Planning

- 77% of businesses said they were able to recover faster because they had a BCP
- 25% said they were able to recover in half the time compared to having no plan at all

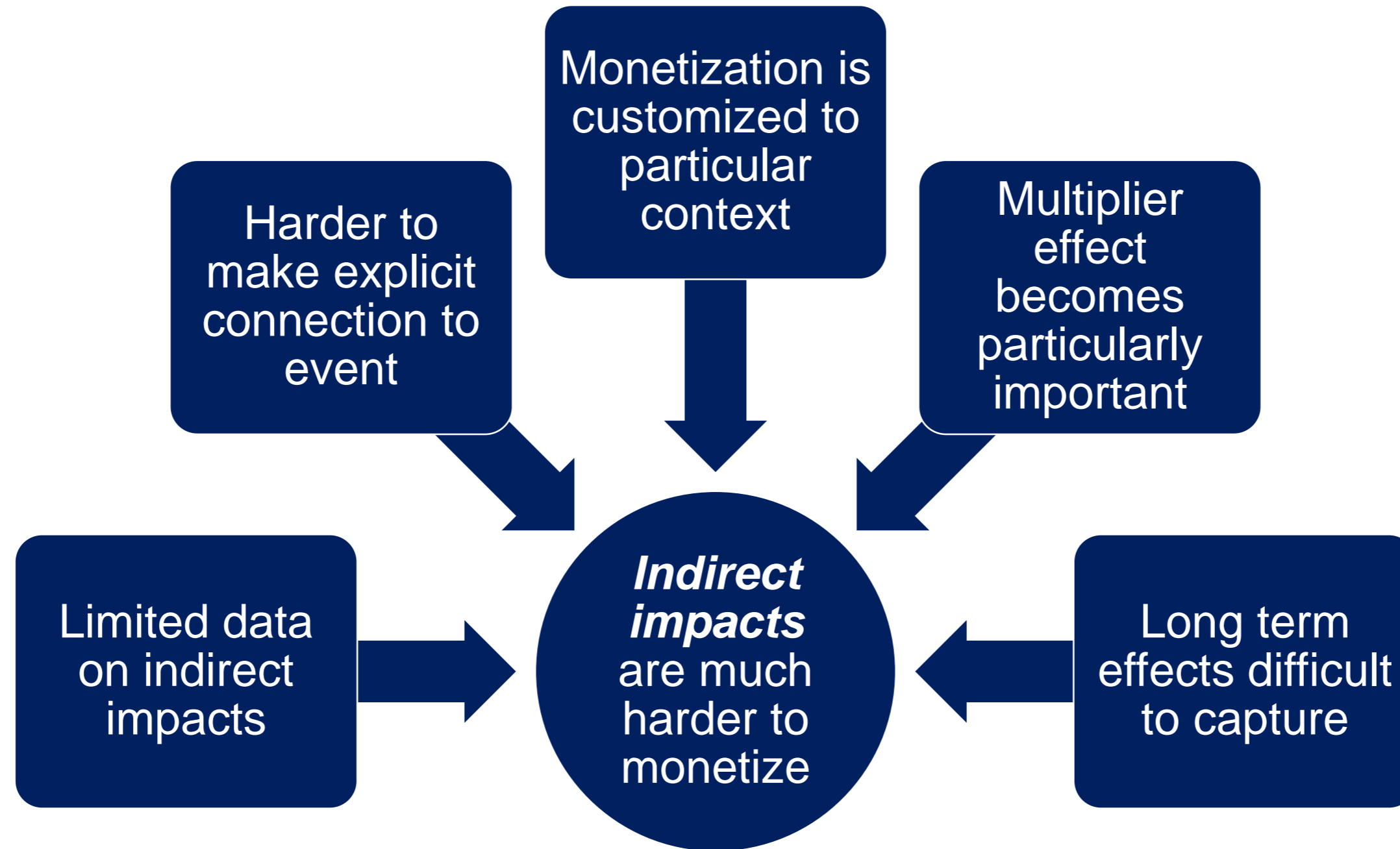
(Source: Business Continuity Institute)



# Organizational Preparedness



# Monetizing Indirect Impacts



# Tips for Financial Security for Disasters

## Before a disaster strikes

- ✓ Enhance Savings
  - ✓ Automate contributions to savings
  - ✓ Redirect new revenue into savings
- ✓ Manage debt / credit score
- ✓ Understand your coverage
  - ✓ Add coverage if necessary
- ✓ Understand your financial vulnerabilities
- ✓ Know and secure paperwork
- ✓ Learn the signs of fraud

## After a disaster strikes

- ✓ Assess damage (take pictures)
- ✓ Contact insurance carrier
- ✓ Follow what programs are becoming available
- ✓ Don't take the first "no" as a final decision
- ✓ Develop a strategy for long-term financial stability
  - ✓ Be careful paying off debt with claims or assistance funds
- ✓ Be alert for fraud
- ✓ **Don't be afraid to ask for help!!!**

# Thank you!

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