

# STORM- PROOFING FINANCIAL PLANS

How to help clients prepare and budget for flood insurance, hurricane repairs, and other potential expenses related to storms

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# WHY THIS MATTERS



Storm frequency and severity are rising



Insurance premiums are increasing



Many clients are underinsured or unaware of coverage gaps



One storm can derail a solid financial plan

# WHAT CAN GO WRONG

- Worked with a couple who bought a vacation home in Folly Beach, SC
- The property was not in a “high-risk” flood zone, mortgage did not require flood insurance
- Wanted to keep costs “reasonable”
- Hurricane Ian rolled through the Low Country
- Wind and water damage racked up \$18,000 in out-of-pocket repairs
- The repairs were needed as they were wrapping up a kitchen remodel
- Also coincided with a stock market sell-off
- Could not have been worse timing
- Wake-up call for change

# WHAT WE DID IN RESPONSE:



Reviewed the client's overall property exposure for both homes



Restructured insurance and cash reserves



Added full wind and flood insurance on both properties



Maintained a \$25,000 resilience fund (separate from emergency fund)



Conservative allocation portion of their investment portfolio



Protected assets, provided peace of mind

# STORM RISK IS A PLANNING ISSUE

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The impacts include:

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Cash flow

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Emergency reserves

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Investment withdrawals

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Retirement timelines

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Insurance premiums



# THE FOUR FACTORS TO EVALUATE

1. Proximity to water
2. Primary vs. secondary home
3. Insurance structure and exclusions
4. Liquidity and reserves



# INSURANCE GAPS

- Flood and wind insurance are often separate policies
- Deductibles may be percentage based
- Rising yearly premiums
- Ask: What does this policy not cover?



Suggested reserve 10-25k+



Depends on property type and exposure



Think of the reserve as an “insurance buffer”



Dedicated resilience fund which is not included in emergency fund

## BUILDING A STORM RESERVE

# STRESS TESTING THE PLAN

Model:

- \$20,000 unexpected repair bill
- Two storms in three years
- Yearly insurance premium increases
- Stress testing financial and retirement plans



# RISING COSTS OVER TIME

1. Insurance premium inflation
2. Rebuilding cost inflation
3. Regulatory changes
4. Insurance carrier exits

# WHAT I DO PERSONALLY



Carry flood insurance even if it may not be required.



Maintain reserves.



Review coverage annually or if a big life event occurs.

# PRACTICAL QUESTIONS TO ASK CLIENTS



Have you reviewed your coverage in the last 12 months?



Do you know what your deductibles are?



Could you handle a \$20,000 repair this year?



Are insurance premiums rising faster than the inflation that is modeled in your plan?

# FINAL TAKEAWAYS ON STORM-PROOFING YOUR FINANCIAL PLAN

- Adequate coverage
- Dedicated reserves
- Stress testing
- Annual review

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