Who would step in for you financially?

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Many people wait until a hot day in July before testing their home air conditioning system. Similarly many people wait until there is a catastrophic event or health scare before they get their financial life organized. If something suddenly happened to you, and you were unable to handle your financial affairs, would someone else be able to easily step in? If something happened to your spouse or partner would you be able to effectively deal with all aspects of your financial life? Would your finances weather this type of storm? Here are five steps you can take today to help ensure your financial house is in order.

Identify the people who will step in to help. Whom would you want to help you manage your financial affairs if you could not manage them on your own? You may want to consider a person you feel close to but be sure this person will be able to step into this role effectively. Who is next in line if your first choice can't fulfill this obligation? If you do not have a relative or friend to help in this regard, is there a professional who could do this for you (such as your attorney or accountant)? Now, for the uncomfortable part – talk to this person about your wishes as well as their willingness to help you. For most of us, thinking about our mortality is as difficult as talking about our money. To have both of these conversations at the same time I is a double whammy; however, not talking about these issues is setting you up for an even more difficult situation. If your spouse or partner is the person with the majority of the financial information in your relationship, make sure you become knowledgeable and organized enough to step in if necessary. No one wants to start learning about finances when they are dealing with a terrible life event. At a minimum, know what you own and owe, where all of the important documents are kept and whom you need to call for more help (including advisors and any family friends who can help).

Get organized. Make a list of all that you own (assets) and all that you owe (liabilities). This list should include the names of the financial institutions and account numbers. Also list where all of your important documents are stored. This should include tax returns, wills and trusts, insurance policies, medical insurance information, car title, safe deposit box key, investment records etc. Also make a list of all of your advisors (attorney, accountant, financial advisor, insurance agent, etc.) and their contact information. Keep these lists where they can be easily located.

Build your safety net. Do you have sufficient money available to cover your expenses if you or your partner could not work? The standard rule of thumb is three to six month's living expenses. You may decide to build a bigger or smaller cushion depending upon your specific situation. Insurance can make a big difference in assisting you through a jolt to your financial life. Disability insurance would help pay for lost income if you were unable to work. Long term care insurance may help pay for some of your care costs depending upon your ability to care for yourself. And, certainly life insurance can pay in the event of a death. If you are reliant on someone else's income it is up to you to make sure there is proper coverage – you will be the one left to manage your financial life if something happens to them.

Create or update your estate plan. An effective estate plan will include provisions to help ensure your affairs are handled according to your wishes in the event of becoming incapacitated or death. These documents (wills, trusts, medical directives and powers of attorney) will, among other things, indicate the people who will step in to help. People seem to procrastinate about their estate planning more than any other issue. I guess it goes back to that mortality and money thing again. However, not having a written plan could cause a nightmare for your loved ones in the event of an emergency.

Share this information. If you are not ready to share the details of your financial life with the people you will be depending upon in an emergency, make sure to let them people know where to find the information they will need. Share your feelings and intent as well as the mechanics of your financial life. Although neither of you may want to have this conversation, it needs to occur.

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