



The 2021 Hurricane Season is Starting Early

Last year we ran out of hurricane names, so make an emergency plan

The first hurricane of 2021 is forming in mid-May, two weeks prior to the “official” start of Hurricane Season (the “season” runs from June 1st through November 30th). But should we be surprised, since we’ve seen at least one hurricane form prior to June 1st for each of the past 6 years?

But maybe a more important question on everyone’s mind – especially those living along the coasts – is whether this year’s hurricane total will approach last year’s record-setting season. You may remember that the 2020 season finished with the most hurricanes on record. In fact, last year we used up all the names on the predetermined alphabetical list.

The 2021 Hurricane Forecast

Colorado State University released its 2021 hurricane season forecast and is predicting another above-average season while predicting:

- 17 named storms;
- 8 hurricanes; and
- 4 major hurricanes (Category 3 or higher).

Each of these numbers is above the typical season average of 12 named storms, 6 hurricanes, and 3 major hurricanes.

Make an Emergency Plan

Unfortunately, it often takes disaster to remind us to be prepared. For those escaping the storms, we should both thank our lucky stars but also ask: How ready are we if a disaster strikes again, on the scale of a massive hurricane, which can cause hundreds of billions in damage?

Having an emergency plan in place is critical, no matter if it’s for a family or just a single individual. Do you have the proper medical supplies, extra batteries, bottled water, etc.? Beyond those immediate measures is how prepared you are financially to weather a catastrophe.

Financial advisors often suggest to clients that they maintain some liquidity with their assets. Sometimes you need to get to cash quickly and having all your eggs in one place is never a great idea. Tying up all of your capital in an illiquid asset, like a house or business, can leave you and your family potentially stranded in times of distress.

Some folks not harmed directly by the storm may think: That’s what having insurance is for, isn’t it? Sure, your flood insurance likely covers water damage, and you can probably file a claim on your homeowner’s insurance for the damage to the roof, right?

For many, these are the types of big-ticket what-ifs to think about when planning for weather-related tragedies. But small practicalities loom large when a disaster disrupts our day-to-day functioning.

Think About the Little Things

Beyond the big what-ifs, think about some other issues that will impact your life too. For example, many stores may not take credit cards, so you should have cash available for things like food and clean water.

A good rule of thumb is to have three to six months of household expenses saved in a bank account. And because bank ATMs may not be working, having one to two weeks of cash on hand is a good idea.

Risk management is far more than just buying an insurance policy. Risk management is understanding the risks you incur and properly preparing for them, regardless of how remote they first appear.

Risk Management 101

Remember, you can't insure for everything. But you can better understand the risk you are exposed to, and in simple terms, you can then take one of four courses of action. You can:

1. Retain the risk and let life play out, hoping for the best.
2. Reduce the risk by creating and testing your emergency plan.
3. Avoid the risk by not living/working where hurricanes are likely to form.
4. Transfer the risk by purchasing an insurance policy, if available.

The key is truly understanding what risks exist in your life and covering the highest probability exposure, as well as the least likely but most devastating possibilities.

Remember, it's ok to retain some risk, because you simply can't eliminate all of it. But with a few steps, you can dramatically reduce your risk profile.

Call me to arrange a time to talk about your risk and how we can protect you and your family.