Calculated Risk: The Risk Management Checkup: Ten Tips



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Most of you who are reading this newsletter have given some thought to managing risk within your organizations. You've taken a look at your insurance requirements, reviewed your personnel policies, examined your service delivery to make sure that safety procedures are being followed, and that your financial controls are fully compliant with FASB, GASB, and GAAP.

Good work! But how, may I ask, is your personal risk management going?

Now don't look embarrassed and pretend you don't know what I am talking about. Perhaps this is another case of the shoemaker's kids going barefoot. As I took a look at my own life, I started wondering how many readers could use a personal risk management makeover. Fall is a great time to do this and you can head into the next century with a more secure feeling than you'll get with a case of drinking water and an electric generator in the backyard.

In keeping with the Center's philosophy of focusing on the practical, here's our top ten list for personal risk management.

1. **Adequate Coverage.** Do you have the right limits on your car, house and other personal property? When was the last time you got a competitive bid on your insurance coverages? Put together a list of all your policies and shop it around to three or four firms. You don't need to do an RFP — just make an organized list of what you need and what deductibles you can accept. You might be surprised to see how much money you might save, especially if you are willing to go with the highest deductibles offered.
2. **Your Money or Your Life.** Do you have the right amount of coverage? Most financial advisors recommend purchasing only term insurance as opposed to whole life and investing the difference. Insurance is meant to protect your dependents if you die unexpectedly. It is not a very efficient investment vehicle. If your children are grown or you are reaching retirement maybe you can decrease the amount of your coverage and save some money.
3. **Take It to the Limit Every Time.** If your employer allows you to contribute to a pension plan, put in the maximum allowed by the plan. Normally the dollars you save will be pre-tax and will grow tax free until you withdraw them. Also, don't miss out on a Roth IRA. If you have not already opened an account, you have until April 2000 to make a contribution for 1999. Both you and your spouse can contribute $2,000 per year. Although contributions to a Roth IRA are not tax deductible, for most people the earnings are tax free forever if you wait until age 60 to withdraw them. Ask your financial advisor or an investment

broker if a Roth IRA is right for you.

4. **Retire the Plastic.** Pay off your credit card debt. I will say no more about this. You know exactly why this is a good idea.
5. **Put Your Savings on Automatic.** Have your savings automatically withheld from your checking account or paycheck. Pay yourself first and watch the dollars add up.
6. **Diversify.** Have all your money in Microsoft? Sure, it has done well but do you want to bet the whole farm on a company that keeps running afoul of the Justice Department? Make sure that you have the right balance of stocks, bonds, and cash investments. As you get older, you should be moving more of your money toward more conservative investments. The recent bull market may have made your portfolio very equity heavy. Now is the time to rebalance. At the same time if you have always been a very conserv-ative investor consider that if you have only fixed income investments you are exposing yourself to inflation risk. A financial advisor can help you figure out what is the best mix for you.
7. **Check Under the Hood.** When was the last time you had old reliable in for an oil, lube, and filter change? A poorly maintained vehicle is a danger to you and others on the road. When behind the wheel follow the speed limit, wear your seat belt, and don't talk on the phone when you're driving.
8. **Precious Bodily Fluids.** While you're at it, when was the last time you went in to have your fluids checked? Women should see their doctors yearly as should men over the age of 35. Have your blood pressure and cholesterol checked. Drink in moderation, eat your fruits and vegetables, and quit smoking.
9. **Take a Hike.** After diet and quitting smoking, exercising three or four times a week is the best thing you can do to increase your life expectancy. A recent study showed that women who walk a total of three hours per week can lower their risk of heart disease by as much as 30 percent. Men can achieve the same results by spending three hours a week or more sitting on the sofa working the remote control. Just kidding!
10. **Take Off.** Time off reduces your level of stress and helps you gain objectivity and perspective on your life. Use the time to get to know your family better, see a new place, or explore a hobby you are interested in.

Risk management at its best does not just reduce risk, it enables risk taking. As in the organizations we serve, risk avoidance in many aspects of our lives is simply not possible if we are to accomplish what we were sent here to do. However, by doing a careful analysis of the risks that we face and proactively deciding how to manage them, the quality of our lives can be improved and we can create a more secure — even healthy — environment for taking calculated risks.

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