

Building financial resilience for an uninsurable future



The impact of climate change on
personal finance and the wealth
of the nation.

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Introduction – Inevitable Surprises

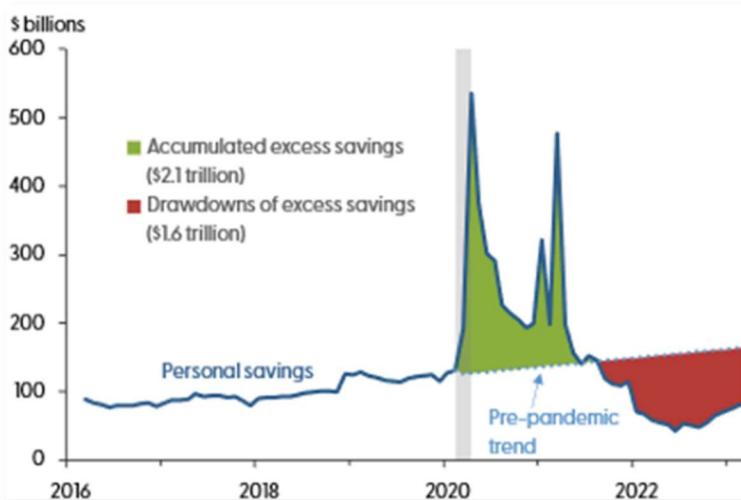
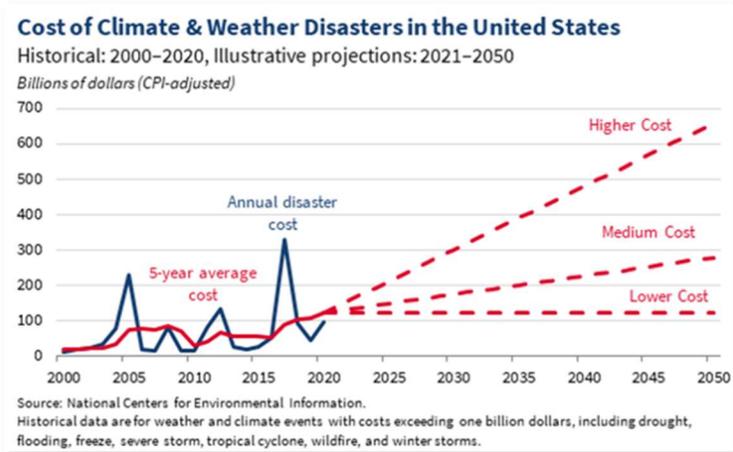
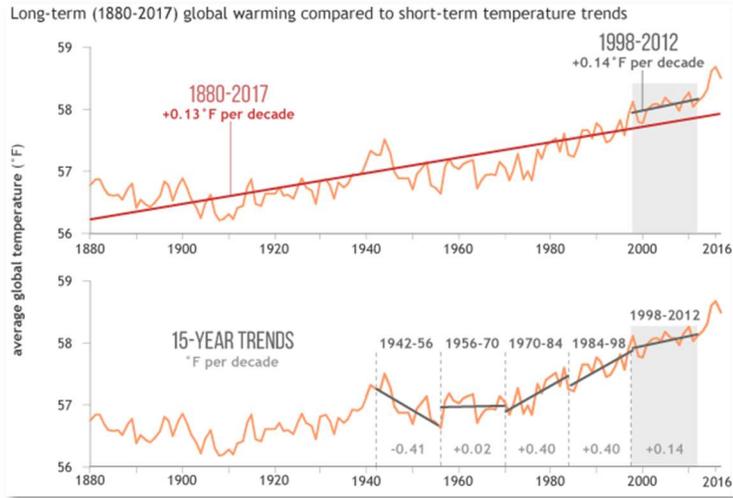
People are often surprised by events that were, apparently only in hindsight, easily predictable. But hindsight is not as useful as foresight for the next time. Peter Schwartz's terrific book 'Inevitable Surprises: Thinking Ahead in a Time of Turbulence' illustrates how often the information needed to accurately predict the future is right there in plain sight.

- Global temperatures are rising.
- Severe weather events are more frequent and cause more damage.
- The costs of recovery are rising, while the Federal Emergency Management Agency (FEMA) National flood insurance fund struggles to remain solvent.

The National Flood Insurance Program (NFIP) has long been the insurer of last resort for people living in flood zones, and now the only insurer for areas where traditional insurance has exited the region due to increased risk of severe weather events such as wild-fires and river floods. Except for the years during the Covid-19 pandemic, the savings rate among US households is not sufficient to cover the difference between NFIP coverage and replacement or major repairs; this leaves many Americans at financial peril should a severe weather event impact what for many is their primary source of wealth and long-term economic stability: their home.

It has been said of Americans that we will always do the right thing, only after we have tried everything else. If you are serious about adapting to the inevitable financial impacts of climate change, most other options have been tried.

Consider the following three data graphs, **based on these known facts, what can you predict about your financial future?**



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