

9 steps to prepare for a financial crisis - your "crisis insurance"

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This is from a letter to my parents in UK - I think it is helpful advice to anyone in UK, Europe and USA right now.

You asked about what good places for money are in a crisis. Here are suggestions on money backup plan based on what happened in 1930s in USA (and I think UK at same time) and in Argentina in 2002. Or just look at Greece today. Possible consequences are:

- currency devaluation of 50% or more,
- high inflation (100%+),
- high unemployment (30%+)
- food shortages,
- social unrest/protests/strikes
- banks closed for extended "holiday"/ATMs closed for months
- currency controls enforced so you can't take money out of the country
- pensions and investments forcibly converted to government bonds "for your own safety"

Based on many articles I have read and people I have talked to I think there is a high probability (>50%) that there will be a major financial crisis this year in USA, Europe and UK. I think within the next 6 months. Currently governments and banks are doing all they can to delay when this will happen so things may on the surface appear normal. If you know anything of catastrophe theory you know that a system can flip from one stable state to a lower one very quickly and "unexpectedly" after years of appearing not to change at all.

When similar crises have happened in the past they occurred within a day or two so it is better to prepare ahead of time because if it actually happens you won't have time for this stuff. Hopefully you won't have to use any of this - **think of it like an insurance policy... you don't like to think about it, don't like paying the premium and if a crisis does happen you are very glad you got it.**

1. Have a month's expenses as cash because ATMs/Visa may not be working if there is a crisis.
2. Move some money from accounts at large bank/building society to a *small* local bank/building society/credit union because these have less exposure to Euro/Dollar default. It is best not to have all your eggs in one basket anyway...
3. Buy a few ounces of gold coins (modern ones not old ones that have higher price due to rarity) in 1/10 th ounce size. (1/10ths cost a bit more than 1 ounce but are more convenient to convert one at a time for cash during high inflation.) There are several coin shops in London (and across USA) that sell these or you may be able to get through the post. Store safely in house or garden (and keep a record of where you put). Do not tell *any* other people about this or your cash - people talk and it may attract thieves. A bank safety deposit box is not a good idea if the banks are closed.... Also governments have take the contents of these boxes in the past during crisis.
4. Move some money to stronger currency eg Singapore Dollar, Australian dollar, Chileano Peso, Chinese yuan preferable in an account held outside UK/Europe/USA. I believe that HSBC bank will let you open a Hong Kong account if you go to one of their UK or US branches with documents (passport and utility bill). They may try to get you to open UK/US account but it is possible to open HK one there and I know people who have done so after persisting. I know that HSBC will let you hold your account in various foreign currencies, you get an ATM/Visa card that you can use in UK or anywhere else in world and you can access your account online. This both protects your money from decline in UKP and protects you if UK/US banks accounts are closed for an extended time.

Also on a practical level:

5. Have a month's supply of food (I think you already have this)
6. Have a way to purify water (filter or chlorine bleach)
7. Have some flashlights or candles in case power goes out (remember the 1970s power cuts in UK?)
8. Keep petrol tank at least half full (remember petrol lines in 1970s)
9. Renew passport now - you can not travel if you have less than 6 months left on passport.

The main issue people have with this kind of change is **denial**. Most people in Germany in the 1923 inflation could not believe it was happening so did nothing and lost all their money. Today in Greece 75% of people have not taken their money out of Greek banks that have a high risk of collapse. In Argentina in 2002 most people did not act before they had lost 75% of their money and spent 5 months with no access to their accounts or ATMs. The practical steps are easy - it is dealing with the emotional reaction and denial that is harder.

In every one of the over 311 [cases](#) (except for one) in the past 2000 years when government and private debt became too large to service there either was a direct default or an indirect default by massive inflation with the kind of consequences I listed above. I don't expect this case to be any different.