

“After The Flood”

By Tommy Williams, CFP®

Recently, Wall Street was speculating about monetary policy with the enthusiasm of the Student Section at a LSU home game. The Federal Open Market Committee (FOMC) is expected to introduce another rate hike before the end of 2016, according to the *BBC*, and it has just three opportunities to deliver the goods – during its September, November, or December meetings.



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Analysts and pundits parsed minutes from July’s FOMC meeting looking for clues about timing and found relatively few because there was no consensus view at the July meeting. The *BBC* wrote, “According to the

minutes, some FOMC members felt ‘economic conditions would soon warrant taking another step,’ while others believed more data was needed.” The *BBC* also pointed out a hike in November was unlikely because of the timing relative to the U.S. Presidential election.

The sooner-is-better camp inside the Fed has been quite vocal recently. *CNBC* reported New York Fed President William Dudley, Atlanta Fed President Dennis Lockhart, and San Francisco Fed President John Williams each made statements confirming solid economic growth is expected during the second half of 2016, and indicating that it’s time to continue increasing interest rates in the United States.

Recently, the *CME Fed Watch tool* (which looks at 30-Day Fed Fund futures prices to gauge the likelihood of changes in Fed policy)

put the probability of a one-quarter to one-half percentage point rate increase during September at 88 percent.

With the Fed’s impending decision to raise rates, and an extremely contentious election coming in November, it seems we’re surrounded by uncertainty on a nationwide level. However, the massive flooding that covered South Louisiana in August might have been a frightening reminder that uncertainty can hit a little too close to home.

While the damage from the Great Flood of 2016 is still being surveyed, many victims are now dealing with the aftermath.

Unfortunately, many Louisiana homeowners do not have flood insurance. According to *Economist*,

“...[At] least 40,000 homes – and possibly as

many as 100,000 – in over 20 of the state’s 64...parishes...have been damaged. Homeowners who live in high-risk flood zones are required to carry flood insurance if they have a federally backed mortgage. In Louisiana, around 42% of homes in high-risk areas have flood insurance, estimates FEMA; only 12% of homeowners in low and moderate-risk areas do. Many of the areas affected were not considered high-risk. In Livingston Parish – perhaps the hardest-hit place in the state, where an estimated three-quarters of homes flooded and water reached the eaves in some communities – less than a quarter of households have flood insurance.”

For the victims without flood insurance, Reuters recently reported,

“Those residents without flood insurance are eligible for up to \$33,000 in FEMA individual disaster assistance funds, although most will likely receive less than that, based on payments

following other major disasters. FEMA spokesman Rafael Lemaitre said the individual assistance is intended to supplement insurance and to provide short-term relief for immediate needs.”

According to ABC News, Louisiana Insurance Commissioner Jim Donelon was shocked by how few of the damaged homes in Baton Rouge were covered by flood insurance. ABC reported,

“Donelon, however, said he understands why the state’s ‘large population of working poor folks’ wouldn’t pay for flood coverage when lenders tell them it’s not a requirement. [Clearly], the few with flood insurance will be in a much better place to begin rebuilding.”

It is a devastating and overwhelming catastrophe to face, and so many of our family and friends will continue to deal with the aftermath. However, it is a reminder that catastrophe can take place anywhere at any

time, without warning. Uncertainty is simply a part of life. Being prepared for it – physically, emotionally and financially – is our only chance to overcome it.

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