

The case for an emergency fund



Special Report

Your car breaks down on the way to work...your hot water heater springs a major leak...your refrigerator (with a full freezer) dies. If this happened to you, would you have enough cash on hand to cover the repair or replacement? It's not so much a matter of if it will happen, but when. Sooner or later we're all faced with a situation such as this. So rather than take care of it with a credit card it may make more sense to have money saved for unexpected events.

Experts suggest an emergency fund equal to 3 to 6 months of living expenses – housing, utilities, debt payments, food... to see you through an unexpected event like the loss of your job or a major home or car repair. It takes time to accumulate that much in savings, but there are steps you can take now to put you on the path to that goal.

Start Small, Start Now

An emergency fund with as little as \$500 or \$1,000 is a goal that's within reach, even on a tight budget.

Here are a few suggestions for ways to begin:

- **Start with a goal**

Set an achievable savings goal, and then open your emergency fund account with as much as you can.

- **Automate your savings**

Transfer a set amount from your checking to your emergency savings at regular intervals. Or, have some of your check direct-deposited (if available) to your emergency account from each pay.

- **Keep emergency funds separate**

Open a special account for the emergency fund. It should be easily accessible, but separate from your regular accounts so you won't be tempted to use it for non-emergencies.

- **Track your spending**

Keep records of your daily spending for a few months to see how much you spend and where you spend it. When you know where your money is going you can consider ways to curb impulse buys or find a few extra dollars for your emergency fund.

- **Save your change**

Save all your loose change in a container, then when it's full, deposit the money to your emergency fund.

- **Make it a family affair**

Get everyone on board with a savings plan. The more family members you involve, the more you can save!

Keep Your Momentum

Saving takes discipline, but once your fund starts to grow, it will encourage you to keep your momentum. After you've reached your initial goal, aim higher and keep saving! Your efforts will be rewarded when the pipe in your laundry room bursts, or you need an emergency car repair, because you'll be prepared to pay cash instead of incurring additional debt with interest.



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