

## **Building an Emergency Fund**

As much as we prepare for life's events, the unexpected can happen. Your pet might need a costly treatment. Your car could break down and require expensive repairs. You could damage your smartphone and have to replace it. Any one of these unplanned expenses could impact your budget by hundreds or thousands of dollars. A recent study found that 63 percent of Americans lack the savings to pay for a \$500 to \$1,000 emergency. This means almost two-thirds of Americans would need to cut spending or incur debt to cover emergencies – decisions that could create even more financial stress. Would you have the money to cover these financial curveballs? That's where an emergency fund comes in.

There's no need to dwell on the what-ifs, but saving for them is important; if you don't have an emergency fund, the consequences could be financially devastating.

### **What Is an Emergency Fund?**

An emergency fund is money that you have saved to help you cover unexpected costs that come with everyday life. This could be a medical emergency or home repair. Many of these costs cannot be predicted, but nearly everyone will face these kinds of expenses throughout their lives. That's why having an emergency fund is always worthwhile, because you won't be caught off guard without the means to resolve the financial situation. Experts say it's smart to build and maintain an emergency fund with three to six months' worth of living expenses.

### **How Do You Start an Emergency Fund?**

Start by setting a monthly savings goal and set up the funds for automatic transfer to a savings account. That way, you will be saving money without even thinking about it. You will want to take a close look at your finances to ensure that you are not saving so much money that you can't pay for other everyday costs, or so little that your savings won't cover a potential emergency.

### **Where Should You Keep an Emergency Fund?**

Savings accounts are the safest place to keep your emergency fund so that you won't be tempted to dip into it. Emergency funds should be kept fairly liquid so you'll be able to access them quickly if an unexpected expense comes up. If you need to use your emergency savings, you'll be glad they're available.

### **How Much Should You Save?**

The size of an emergency fund will probably change as your financial situation does, so it's important to revisit your budget and make sure you're covered. For some, this might mean a couple of large transfers into an account. For others, building an emergency fund could be a longer process and might require smaller deposits each month. The key to building an emergency fund is to set money aside every month, no matter how small the amount.

## Emergency Fund

Do you have enough money to cover an emergency? Take a look at your finances to determine how much you should be saving in preparation for the unexpected. A typical emergency fund should cover 3-6 months of expenses.

### Assumptions:

Current emergency funds available

Number of months you want the emergency funds to last

Number of months you think you will need to build an emergency fund

### Expenses:

Total monthly living expenses. If you plan to itemize (below), leave blank

or Itemize Monthly:

Mortgage or rent payment

Vacation home (mortgage)

Automobile loan(s)

Personal loan(s)

Charge accounts

Federal income tax (per month)

State income tax (per month)

FICA (social security tax - per month)

Real estate taxes (monthly)

Other taxes

Utilities

Household repairs and maintenance

Food

Clothing and laundry

Educational expenses

Child care

Vehicle expenses (gas, repairs, etc.)

Other transportation expenses

Life insurance premiums (monthly)

Homeowners/renters insurance (monthly)

Automobile insurance (monthly)

Medical, dental and disability insurance (monthly)

Entertainment and dining

Recreation and travel

Club membership

Hobbies

Gifts

Major home improvements and furnishings

Professional services

Charitable Contributions