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Saving for Emergencies

Nobody can predict the future, so it makes sense to put aside money for a rainy day. Using the money saved for an emergency is better than taking out a loan or selling assets for cash. If you take out a loan, you will have to pay interest. If you sell assets, you may lose interest and possibly some of the original investment.

Here are some things to consider when building an emergency fund.

- The rule of thumb is to set aside enough cash to cover your basic living **expenses** for at least three months. However, even saving $500 can help you cope better with unexpected expenses.
- Keep the money in an easily accessible (but not too accessible) savings account that is separate from your general savings. If you mix your emergency fund with your general savings account, it becomes too easy to dip into it. Consider opening an account at another financial institution, separate from your regular savings or checking accounts.
- Don't keep the money in a long-term asset, such as a stock, mutual fund or CD with a long maturity date; this makes accessing the money more difficult.
- Use the money only for true emergencies, such as an unexpected medical bill or car repair. If you lose your job, you may need your emergency fund for food, utilities, rent payments and necessary transportation. (People can usually put off buying clothing for at least three months.)

How much will I need to keep in my emergency fund? Use the following worksheet to calculate how much you may need in your emergency fund. Remember, even saving one month of expenses can help you in the future!

Emergency Fund Worksheet

Groceries for 1 month		x 3 months = $	0
Gas/oil, electric and water for 1 month		x 3 months = $	0
Rent or Mortgage for 1 month		x 3 months = $	0
Car payment or bus fare for 1 month		x 3 months = $	0
Other debt for 1 month		x 3 months = $	0

Total amount needed for emergency fund: $ 0

Source: Adapted from *Your Spending, Your Savings, Your Future* (NEFE) and *Smart About Money* (NEFE)