



# money date #3

## How to create an Emergency Fund

An emergency fund can provide a critical buffer during a time of need. It can prevent you from having to rely on credit cards or high interest loans, and is important for the prevention or reduction of debt. It can help with large, unforeseen expenses, like employment, medical costs, or major repairs.

### STEP 1:

Track all expenses and make a budget that considers your values

Prioritize essentials and see where you can start cutting your spending. What are “wants” – eating out, subscription services – and what are “needs” – rent, utility bills etc – and then calculate the maximum savings you could generate given your current finances

### STEP 2:

Create a monthly savings goal

Don’t want to cut all the fun stuff? That’s fine, but think about how much you can reasonably put aside each month. It’s important to build the habit of saving, and to generate savings over time. Saving your tax refund or having your employer direct-deposit a percentage of your earnings into a specific account are two easy ways to start.

### STEP 3:

Map out your long-term goals

Savings can take a long time to accumulate, even with a monthly commitment. What is “enough” to save for this year – and what might that savings number need to look like in five years? What if you’re unemployed for a long time?

### STEP 4:

Keep funds accessible

Emergency funds only work if they are accessible in a time of emergency. While investing in stocks may be a good savings strategy, assets invested in the market can’t always be liquidated on demand. Instead, consider keeping your emergency fund in a high-yield savings account or a money market account.

## What about in a crisis?

Ideally an emergency fund is saved over time.

But life happens. Now is the time to take an aggressive approach to cost-cutting, and direct all savings into your emergency fund. In some cases, it make make sense to reduce contributions to a retirement account, and instead direct that money to your emergency fund. These kind of cuts are only for dire situations – and just be sure to resume paying into those retirement funds when the crisis subsides.

### DON'T FORGET!

● **Be honest.** The more honest you can be with yourself, the better prepared you’ll be to respond to financial challenges.

● **Check in with yourself.** Working through challenges is a process. Find a way to regularly monitor your progress

● **Celebrate your successes.** Recognize the accomplishment of planning for and sticking with a savings habit.

● **Don't be afraid to use it if you need it.** A well-utilized emergency fund should help you limit debt and costly interest.