

FINANCIAL FRIDAYS

What is an Emergency Fund?



An emergency fund is a cash reserve that's specifically set aside for unplanned expenses or financial emergencies. Some common examples include car repairs, home repairs, medical bills, or a loss of income.

In general, emergency savings can be used for large or small unplanned bills or payments that are not part of your routine monthly expenses and spending.

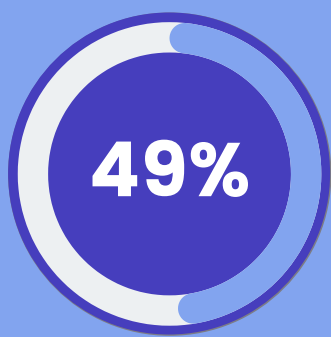


How financially well are you? Take the quiz.

<https://www.consumerfinance.gov/consumer-tools/financial-well-being/>

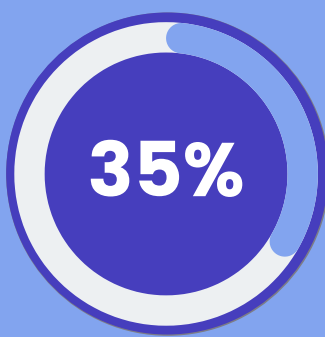
RESEARCH SUGGESTS THAT INDIVIDUALS WHO STRUGGLE TO RECOVER FROM A FINANCIAL SHOCK HAVE LESS SAVINGS TO HELP PROTECT AGAINST A FUTURE EMERGENCY. THEY MAY RELY ON CREDIT CARDS OR LOANS, WHICH CAN LEAD TO DEBT THAT'S GENERALLY HARDER TO PAY OFF. THEY MAY ALSO PULL FROM OTHER SAVINGS, LIKE RETIREMENT FUNDS, TO COVER THESE COSTS.

How much do you have in emergency savings?



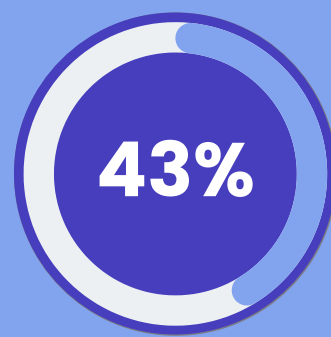
UNDER \$30,000 PER YEAR

No emergency savings



BETWEEN \$30,000 - \$49,000

Less than 3 months of emergency savings



\$75,000 AND OVER

6 or more months of emergency savings

Source: Bankrate Emergency Savings Survey, June 22-27, 2021

The amount you need to have in an emergency savings fund depends on your situation. Think about the most common kind of unexpected expenses you've had in the past and how much they cost. This may help you set a goal for how much you want to have set aside.



If you're living paycheck to paycheck or don't get paid the same amount each week or month, putting any money aside can feel difficult. But, even a small amount can provide some financial security.

Learn more at www.consumerfinance.gov

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How to Build an Emergency Fund?



There are different strategies to get your savings started. These strategies cover a range of situations, including if you have a limited ability to save or if your pay tends to fluctuate. It may be that you could use all of these strategies, but if you have a limited ability to save, managing your cash flow or putting away a portion of your tax refund are the easiest ways to get started.

Create a Savings Habit



Set a goal.



Create a system for making consistent contributions.



Regularly monitor your progress.



Celebrate your successes.

ANOTHER STRATEGY IS TO TAKE ADVANTAGE OF ONE-TIME OPPORTUNITIES TO SAVE. FOR EXAMPLE, A TAX REFUND OR CASH GIFTS FROM A HOLIDAY OR BIRTHDAY. SAVING **ALL OR A PORTION** OF THAT MONEY CAN HELP YOU QUICKLY SET UP YOUR EMERGENCY FUND

MAKE YOUR SAVING AUTOMATIC

Saving automatically is one of the easiest ways to make your savings consistent so you start to see it build over time. One common way to do this is to set up recurring transfers through your bank or credit union so money is moved automatically from your checking account to your savings account. You get to decide how much and how often, but once you have it set up, you'll be making consistent contributions to your savings.

It's a good idea to be mindful of your balances, however, so you don't incur overdraft fees if there's not enough money in your checking account at the time of the automatic transaction. To help you stay mindful, consider setting up automatic notifications or calendar reminders to check your balance.

SAVE THROUGH WORK

Another way to save automatically is through your employer. In addition to employer-based contributions for retirement, you may have an option to split your paycheck between your checking and savings accounts. If you receive your paycheck through direct deposit, check with your employer to see if it's possible to divide it between two accounts. If you're tempted to spend your paycheck when you get it, this is an easy way to put money aside without having to think twice.

Learn more at www.consumerfinance.gov



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Keeping and Using the Emergency Fund?



After you have created your saving plan for your emergency fund, you might ask yourself "Where should I keep it" or "When should I use it."

Where should I keep it?

Where you put your emergency fund depends on your situation. You want to make sure this fund is safe, accessible, and in a place where you're not tempted to spend it on non-emergencies.



Bank or credit union account



Pre-paid card



Cash

When should I use it?

Set some guidelines for yourself on what constitutes an emergency or unplanned expense. Not every unexpected expense is a dire emergency but try to stay consistent. Even if it's not a trip to the emergency room, you may need it to pay for a medical bill that wasn't covered by insurance.

Having a reserve fund for financial shocks can help you avoid relying on other forms of credit or loans that can turn into debt. If you use a credit card or take out a loan to pay for these expenses, your one-time emergency expense may grow significantly larger than your original bill because of interest and fees.

However, don't be afraid to use it if you need it. If you spend what's in your emergency savings, just work to build it up again. Practicing your savings skills over time will make this easier.

