



Yes, You Need an Emergency Fund!

Unexpected expenses come in many forms. Car breakdowns. Home repairs.
Unexpected travel. Medical bills. Job loss. The list goes on and on.

These unexpected expenses can quickly get you into debt or put you further into debt. Especially if you rely on credit cards or loans to pay for them. A good way to help prepare for unexpected expenses is to build an emergency fund.

What is an emergency fund?

Basically, an emergency fund is money you have saved that is only to be used to pay for unexpected expenses. For example, it can be used to fix your car's radiator, but should not be used to buy shiny new rims for your car.

Set a goal. How much should you have in your emergency fund?

It is recommended that you have \$500- \$1,000 in an emergency fund, to start with. Once you have this established, keep on saving. You should try to save from three to six months of your living expenses that can be used only in case of job loss, illness, natural disaster, or other emergencies.

Make a plan. Start small.

If you don't have a emergency fund already established, you need to start building one, now. Strive to save that \$500 to \$1,000 as quickly as possible. Even small deposits will add up quickly over time.

Save, save, save.

Increase savings contributions when you can. For example, when you receive pay and longevity increases, federal income tax refunds, gift money and rebates, consider putting some or all of this additional money toward your savings goals.

Where should you keep your emergency fund?

Keep your emergency fund in a safe and accessible place like a savings account. The fund should be low risk and liquid, so the money is available whenever you need it. As this fund grows you may consider putting a portion of your savings into another account that may earn higher interest.

Save automatically.

Automatically transfer a portion of your pay to your emergency fund as soon as it is deposited. That way, you may have less temptation to spend the money.

Get started.

Unexpected expenses can happen at any time. So get started building your emergency fund now to help you stay out of debt in the future.

Debt repayment.

Paying off debt can be an important savings goal. An unexpected expense could derail your debt repayment goal if you do not have an emergency fund established. Remember as you plan your debt repayment, to include your emergency fund as part of the overall plan.

Military Saves is sponsored by the non-profit Consumer Federation of America and is part of the Department of Defense Financial Readiness Campaign. For more information, tips and resources visit www.militarysaves.org.

We encourage you to Set a Goal. Make a Plan. Save Automatically, for Military Saves Week during 25 February through 2 March 2013. Take the Military Saves pledge at www.militarysaves.org/takethepledge

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