

1-2-3 Banking

Strong beginnings to a healthy financial future

How to Build an Emergency Fund with Little Effort

Building a good financial plan is a lot like building a house. It's nearly impossible to build anything great without a solid foundation. It's a simple concept. So is being ready for a financial emergency, if you have a simple plan in place.

Pop quiz – your brakes are squealing at every stop sign and they need to be fixed today. How will you handle the situation?

- A. I'd call a parent and have them figure it out
- B. I have the \$200 to \$300 in my account to get the brakes fixed today
- C. Looks like I'm walking to work or school until I figure out a plan

How did you do? Are you in a position to just handle it and get on with your day? If so, great job! If not, take this first step to help you when not-so-great surprises happen:

Start saving what you can. Build to \$1,000 or more.

An emergency fund is for those unexpected events in life that you should plan for. Whether your muffler decides to leave you, or you have unexpected medical bills, you can be ready! Being financially prepared can turn some of these "emergencies" into simple inconveniences, and can at least take the added financial stress out of a true emergency.



The first step is to save as close to \$1,000 as fast as you can. Having anything saved is better than nothing. You should aim to have at least three to six months of your expenses set aside for emergencies.

That can seem like an overwhelming amount to save. If so, go through your storage boxes and sell some stuff you don't need anymore. Work an extra job if you are able. Cut back on eating out. Do whatever it takes to have this savings cushion to land on when times are tough.

Make your savings automatic.

Decide how much you will save towards your emergency fund out of each paycheck, and talk to your personal banker about having that amount automatically sent to your savings account.

Once you start saving for your emergency fund, remember this money is set aside for emergencies. It is not there to spend on impulse buys or last minute vacations. Define what your definition of an emergency is, and do not take money out of that account for anything else. Although it may seem like a challenge now, you will thank yourself when the day comes that you need it.

Emergency fund handled? Congratulations! Next, take some time to see if you are sufficiently covered with auto, homeowners, health, life and disability insurance – these are additional ways to be prepared for emergencies that might arise. Strong beginnings to a healthy financial future are underway when you keep reading and learning! Enjoy the journey!