

Emergency Fund **BOOT CAMP**

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**MONEY
THING®**

What is an

EMERGENCY FUND?

ACADEMIC DEFINITION

An **account** that is used to set aside funds to be used in an **emergency**, such as the loss of a job, an illness or a major expense.

REAL-WORLD DEFINITION

An easily accessible **stash of money** for use only in case of an **emergency**.



**6 STEPS TO BUILDING
AN EMERGENCY FUND**

STEP

1



START ONE

WHO?

Everyone!

WHY?

Life is unpredictable, and all it takes is one obstacle to derail your financial routine.

An emergency fund minimizes the stress and damage caused by surprise expenses.

STEP

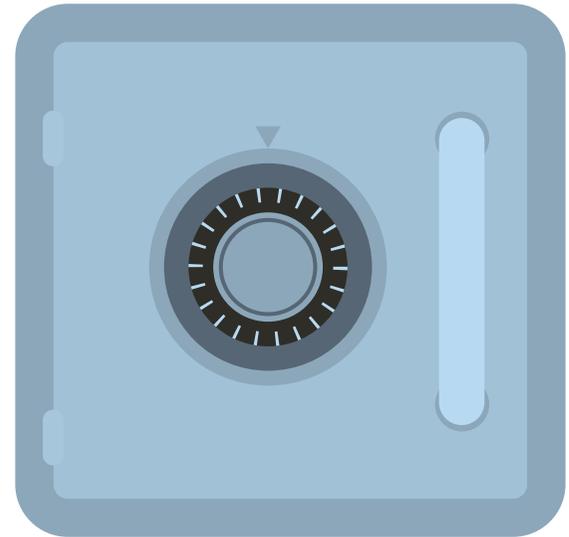
2



KEEP IT CLOSE

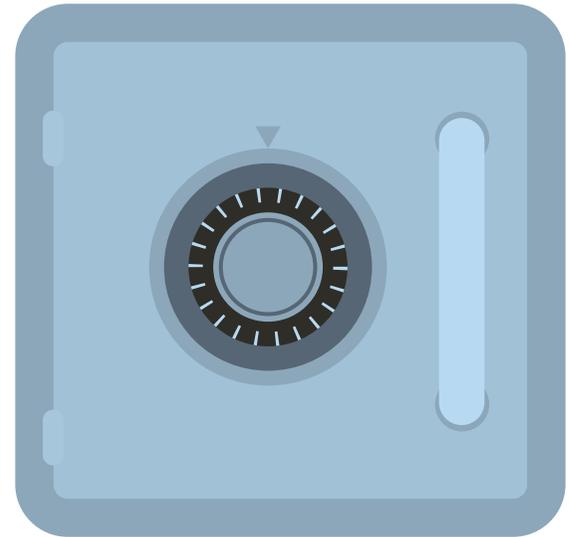
HANDY

Your emergency fund needs to be accessible, so when it's needed, you can get to it fast.



SEPARATE

An interest-bearing savings account is the perfect place for your emergency fund.



STEP

3



**GET TO KNOW
YOUR UNKNOWNNS**



vs.



***UNKNOWN
UNKNOWNNS***

***KNOWN
UNKNOWNNS***

UNKNOWN UNKNOWNNS



Unknown unknown expenses are the expenses that are truly unpredictable.

You don't know when they will happen, what they will be or how much you'll need.

UNKNOWN UNKNOWNNS



Unknown unknowns are the motivation for creating an emergency fund.

EXAMPLES

- Sudden unemployment
- Health emergencies
- Accidents
- Bereavement travel

KNOWN UNKNOWNNS



Known unknowns are expenses that are somewhat predictable.

You don't know exactly when they will happen, but you know that it's only a matter of time.

KNOWN UNKNOWNNS



Known unknowns should be budgeted for separately, outside of your emergency fund.

EXAMPLES

- Major car repairs
- Pet care
- Home repair
- Replacing a major appliance

STEP

4



DEFINE EMERGENCY

Emergencies come in many different forms.

Any situation that threatens your cash flow is appropriate for your emergency fund to step in and handle.

EXAMPLES

- Being out of work for an extended period of time
- Needing to take care of a loved one
- Waiting for an insurance reimbursement

STEP

5



CALCULATE YOUR GOAL

SIX MONTHS OF EXPENSES



Monthly Expenses	Emergency Fund Size
\$ 500	\$ 3,000
\$ 1,000	\$ 6,000
\$ 1,500	\$ 9,000
\$ 2,000	\$ 12,000
\$ 2,500	\$ 15,000

Monthly Expenses	Emergency Fund Size
\$ 3,000	\$ 18,000
\$ 3,500	\$ 21,000
\$ 4,000	\$ 24,000
\$ 4,500	\$ 27,000
\$ 5,000	\$ 30,000

STEP

6



STICK WITH IT



SMALL STEPS

Six months of expenses is an intimidating target.

Set incremental benchmarks—\$500, then \$1,000 and so on.



PATIENCE

A healthy emergency fund takes time to build.

Be patient, keep reaching for that goal and only touch your fund if there's a true emergency.

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Source: Get Rich Slowly, Investopia

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