

# *Emergency Fund* **BOOT CAMP**

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*What is an*

**EMERGENCY FUND?**

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## 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.

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REAL-WORLD DEFINITION

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

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**6 STEPS TO BUILDING  
AN EMERGENCY FUND**

**STEP**

**1**



**START ONE**

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# 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.

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**STEP**

**2**



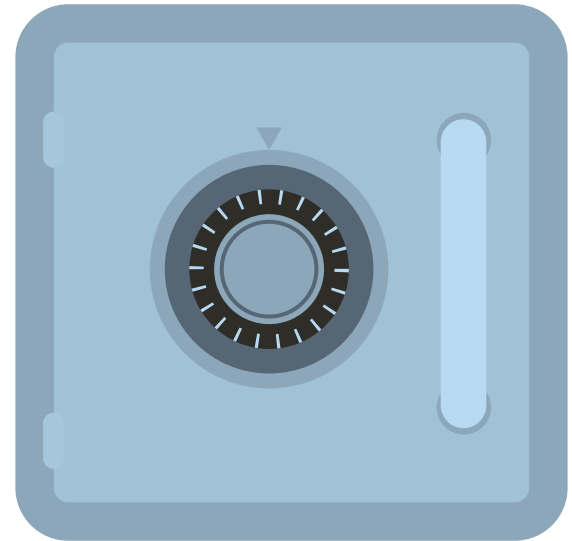
**KEEP IT CLOSE**



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# HANDY

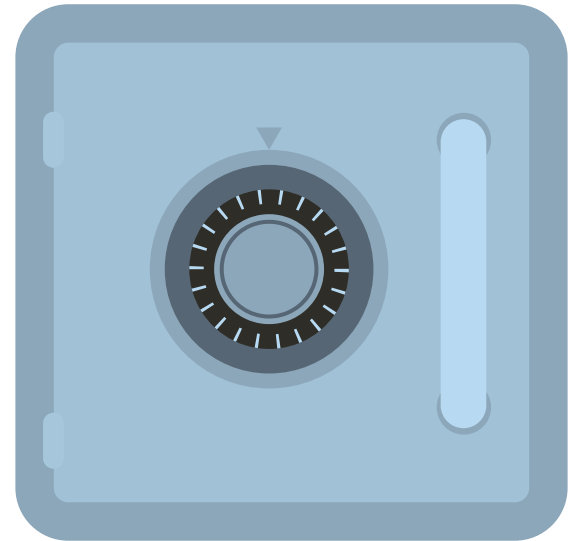
Your emergency fund needs to be accessible, so when it's needed, you can get to it fast.



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# 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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