



JULY
TOPIC



Building Your Financial Safety Net: *Why Emergency Savings Matter*



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Building Your Financial Safety Net: Why Emergency Savings Matter

Life has a way of surprising us. A car repair, an unexpected medical bill, a broken appliance, or a temporary loss of income can quickly create financial stress. While we can't always predict when these events will happen, we can take steps to prepare for them. That's where an emergency fund comes in.

An emergency fund is money set aside specifically for unexpected expenses. Think of it as your personal financial safety net. Its purpose is to help you handle life's surprises without relying on credit cards, borrowing money, or disrupting your long-term financial goals.

Why Emergency Savings Matter

Many Americans struggle to cover unexpected expenses. According to the Federal Reserve's Survey of Household Economics and Decisionmaking, only 63% of adults said they could cover a \$400 emergency expense using cash, savings, or a credit card that would be paid off immediately. The remaining 37% would need to borrow money, sell something, carry a credit card balance, or might not be able to cover the expense at all.¹

Even a modest emergency fund can make a meaningful difference. Research from the Consumer Financial Protection Bureau (CFPB) suggests that having a small savings cushion can improve financial stability and reduce financial stress.²

How Much Should You Save?

The thought of saving three to six months of expenses can feel overwhelming. Instead of focusing on the final destination, focus on the first milestone.

Consider this progression:

- **Starter Goal:** \$500
- **Next Goal:** \$1,000
- **Long-Term Goal:** 3–6 months of essential living expenses

Remember, every dollar saved is a dollar that can help you handle an unexpected expense in the future.

Four Simple Ways to Get Started

1. Pay Yourself First

Set up an automatic transfer to savings each payday—even if it's only \$10, \$25, or \$50.

2. Save Windfalls

Tax refunds, bonuses, overtime pay, and cash gifts can provide an opportunity to jump-start your emergency fund.

3. Keep It Separate

Consider using a dedicated savings account that is easy to access when needed but separate from your everyday checking account.

4. Start Small

Building the habit is more important than the amount. Consistency over time is what creates results.

Progress, Not Perfection

An emergency fund isn't built overnight. The goal isn't perfection—it's preparation. Every contribution strengthens your financial foundation and provides greater confidence when unexpected expenses arise.

The next time life throws you a curveball, having even a modest emergency fund can help turn a financial crisis into a manageable inconvenience.

Financial Wellness Challenge

This month, choose a savings goal and automate a transfer to your emergency fund—even if it's just \$10 per paycheck. Your future self may thank you.



RESOURCES

1. Federal Reserve Board, *Survey of Household Economics and Decisionmaking (SHED)*: Adults who would cover a \$400 emergency expense using cash or its equivalent.
2. Consumer Financial Protection Bureau, *An Essential Guide to Building an Emergency Fund*.
3. Consumer Financial Protection Bureau, *Evidence-Based Strategies to Build Emergency Savings*.