1. **Goals: Saving an Emergency Fund**

What is an Emergency fund? Why is it important to have one and how do you set one up?

I'm Liz with today's money tip from the Making Money Personal podcast.

This tip will explain a little bit about emergency funds and why they are important in keeping you and your family financially secure.

The purpose of an emergency fund is to have a store of money set aside and available for when unplanned expenses or income disruptions occur.

Emergency savings are vitally important if you want to be financially independent. A healthy fund gives peace of mind and insures you can meet certain bills or payments in case plans don't pan out the way you hoped they would.

They can make all the difference between facing a financial upset with confidence or struggling through it filled with worry and stress.

Imagine how you'd feel if you suddenly faced the loss of a job, a medical bill or a vehicle repair but you have enough money available to pay every one of your bills for the next few months. The situations may still be a bit stressful, but you can take a little breather knowing your expenses can still be covered. It would be a relief to know you have some time to make adjustments and plans for your next steps instead of worrying and panicking about finding money to cover bills.

If you're ready to start building your emergency fund we're going to offer you some tips on how to get started.

Tip 1: Determine your savings goal. It's alright to start with a short-term savings goal. Start with a small goal of $250 - $500 and work your way up to $1,000.

In fact, according to a 2016 Urban Institute Study, families who have even as little as $250 to $749 saved on the side are less likely to be evicted, miss a housing or utility payment, or depend on public benefits after an income disruption like a job loss, health issue, or a decrease in income.

Setting your goal at even just a amount initially can make a world of a difference should a financial upset occur.

As your account grows, your real goal should be to have 3-6 months or even 6-9 months of living expenses. You want to make sure your fund can cover all your expenses like housing costs, vehicle payments, food expenses, insurance payments, and any other monthly bills. Calculate all these together and multiply by the number of months you want to save for. That number will become the final goal for your emergency fund.

Tip 2: The next step would be to decide how frequently you'll want to fund it and how much you'll contribute at a time. This will depend on how much you want to save and how soon you want to meet your goal.

Do the math and figure out how much you would need to save over a period of time to reach your goal. For example, if you saved $25 a week, you could reach $1,000 in just under 1 year. If you saved $50 a week, you could reach that first $1,000 in under 6 months!

If you want to give a good jumpstart to your emergency fund try any of the following options.

- Save all or some of your tax return money – Saving money from your tax return will provide a substantial boost to your account and will help it grow faster year over year.
- Have a portion of your paycheck deposited directly– Setting up a direct deposit to your emergency account insures you'll save regularly and consistently because your fund will be continuously growing in the background.
- Add any cash back rewards to your emergency savings – If you have a credit card that offers cash back rewards, save those rewards by depositing them right into your account.
- Choose a high yield savings account for your fund – Online Savings or Money Markets are good accounts to start with. They tend to pay higher dividends than regular savings accounts and that regular interest will add up over time, especially as your account value grows

Tip 3: Determine and define what "emergency" means for you. It's important that you have a clear idea of what you're going to consider an emergency. Decide why you need this account and determine the reasons why you'll withdraw money from it. Would it be a crisis like a job loss, an unexpected car repair, maybe a medical bill? Don't use your fund for regular living expenses like grocery bills, insurance payments, heating/electricity etc. unless absolutely necessary. Those should already be in your budget and covered in other ways. Emergencies usually imply financial setbacks; job loss or income drops.

As time goes on and that account number grows you may find it tempting to "borrow" some money from it. DON'T DO THIS. Remember why you are saving in the first place. The whole point is to make sure you have reserve money available for emergencies. It shouldn't be an excuse to buy a new hot tub or swimming pool. Keep the purpose clear and defined so you will be able to weather the storms of life comfortably and confidently.

Setting up an emergency fund is vital to financial freedom and security and making sure you have money set aside to cover necessities will bring you relief the next time a financial set back occurs.

What did I miss? Do you have any other tips or experience on building you emergency fund?

Look for Triangle Credit Union on Facebook, Twitter and Instagram and let us know what you think. There may be someone else out there who could use the extra tips.

Thanks for listening to today's Money Tip Tuesday and be sure to check out our other tips and episodes on the Making Money Personal podcast.

Catch you next time!