Saving for Household Emergencies

Every Household or Family Faces Emergency Situations

These situations are part of life. They can include home repairs, car repairs, medical bills not covered by insurance, loss of income due to injury or illness, family emergencies, or lower income due to loss of overtime or a job change. Any of these situations can happen at any given time. Having an emergency fund set aside to cope with them can often mean the difference between successfully facing temporary difficulties or experiencing serious financial hardship.

What can happen if you are not prepared?

Many people will rely on credit cards to supplement their income until their finances improve. Unfortunately, the high interest rates on credit cards add to their financial hardships as the monthly bills come due. Usually, families struggling to make ends meet cannot afford the extra monthly payments for credit card bills. This may lead to late payments and even higher minimum payments due to late fees and higher interest rates. Despite their best effort to make payments each month, a family's finances often spiral out of control as their credit card balances steadily increase.

How much should I try to save?

Most experts suggest saving between three and six months of your living expenses. If your monthly living expenses (including your mortgage, car loan(s), etc.) are $4,000, then a good target is $12,000. If this seems like an impossible amount to save, don't be discouraged. Most people who successfully set up their emergency fund started right where you are today. The key is to track your expenses and income, identify areas where you may be able to cut back on spending, and put that money into your emergency fund on a regular basis. Many people tell us that after you get started, it becomes easier as you realize the peace of mind an emergency fund provides you and your family.

Where should I put the money, and what type of account should I use?

Since you may need this money at any time, financial experts suggest a regular savings account or a money market account in a financial institution that has FDIC deposit insurance. While these types of accounts don't pay the highest interest rate, the key is to be able to withdraw the money in an emergency. Accounts that pay higher interest rates, such as certificates of deposit, usually require that the money stay on deposit for a fixed period of time. Also, the bank may charge a penalty if you withdraw money before the fixed period ends.

Once you set up your savings or money market account, avoid ATM access and the temptation to use those funds for non-emergency spending. Remember—this money is for household emergencies and not for shopping or other uses. Simply putting money into an account and taking it out to spend it will defeat your primary purpose, which is to have funds available to you and your family in an emergency.

I'm having difficulty saving money for emergencies.

Call us at 1-800-992-4557, and a certified counselor will review your situation to give you some ideas, options and helpful suggestions.

An Educational Message from

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200 US Highway 9
Manalapan, New Jersey 07726
1-800-99-BILLS
www.navicoresolutions.org

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