



ARMY BENEFITS CENTER – CIVILIAN (ABC-C)

APRIL 2019 - NATIONAL FINANCIAL LITERACY MONTH

DO YOU HAVE AN EMERGENCY FUND?

What is an Emergency Fund?

It is always a good idea to save some cash for a rainy day. After all, you have worked hard to keep your finances in line. But an unexpected expense could easily change your strategy. One of the ways to eliminate financial stress is to have an emergency fund.

An emergency fund is an "account" set aside in case of the event of a personal financial dilemma, such as a furlough or loss of a job, a debilitating illness, or a major repair to your home or vehicle. It can be for situations such as:

- Your apartment floods and all your belongings are ruined. You have renters insurance but not flood insurance and they will not reimburse you.
- You are involved in a terrible car accident and your car is totaled. It is the other driver's fault but he has no insurance. It is your family's only means of transportation and you need to purchase a new car right away.

- To make matters worse, the car accident leaves you in the hospital for three months and you do not have sick or annual leave and are not receiving any pay.

A good amount for a starter emergency fund is \$1,000. However, financial experts indicate an emergency fund should consist of approximately three to six months of living expenses. Living expenses are defined as your basic needs (food, shelter, utilities, and gas). If you have monthly living expenses of \$1,200, then your emergency fund should be at least \$3,600 to \$7,200. It is recommended that retirees save up to three months' worth of living expenses for emergencies.

Your emergency fund should be liquid, meaning easily accessible in the event of a financial emergency. High-yield bank accounts, money market accounts, certificate

DID YOU KNOW...?

The 2018 Federal government shutdown began December 18, 2018 and lasted until January 25, 2019. This furlough impacted roughly 800,000 Federal employees worldwide. Of those, approximately 420,000 employees worked without pay.



Depending on where you live in the U.S. the average monthly costs for a family of four in 2018 is:

- ✓ Food – anywhere from \$770 to \$1,093
- ✓ Rent – a two-bedroom apartment can be around \$1,255
- ✓ Utilities – generally about \$200

of deposits, and a Roth IRA are a few places to keep your emergency fund safe. Having an emergency fund that is specific to YOUR family's lifestyle will save you from stress and worry!

Other Uses for an Emergency Fund

- Unplanned medical procedures
- Veterinarian expenses
- Protection for a sudden decrease in income
- Weather disaster (i.e. fire, tornado)
- Emergency or death in family
- Unplanned moving expenses

Creating an emergency fund today will allow you to prevent unplanned debt and help you maintain a budget.

What You Should Not Spend Your Emergency Fund On

Sometimes people are caught off-guard by major one-time costs like property tax bills, additional income tax owed, car registration renewal, and holiday gift expenses. But, these are not emergencies. You know you will have to pay taxes once a year. You may not know exactly how much money you

will owe, but you know you may have to pay something. You should budget a little bit of money each month for this bill, but it should exist separately from your emergency fund.

Ideally, you should not use your emergency fund to pay for predictable and one-time

expenses. You should set aside a little bit of money each month allowing you to pay for minor routine repairs and expenses as they occur.

What if I Have to Use My Emergency Fund?

As a household, whether you are single or married, you will need to decide what constitutes an "emergency". This is critical so that you remain accountable for your money. Not everything can be an emergency. If you use or even exhaust your emergency fund, plan accordingly to replenish it timely.

How Do I Build an Emergency Fund?

That is a good question and it may not be as hard as it seems. Here are a few suggestions that may help:

- Set up an allotment from your paycheck - This strategy requires two disciplines. The first is to set up your emergency fund at a financial institute other than the one you have your primary checking account. As they say, out of sight, out of mind. The second is to not overdo it. This plan could backfire if you set up an allotment for an amount that is not sustainable.
- Tighten your budget – If you honestly track your spending for just 30 days, you will likely find one or two expenditures you can cut out. Eating out and online shopping are the usual suspects.
- Get a side job - This might not be the most popular option but this can be a temporary means to an end. The good news is there are many opportunities today to pick up a side job with flexible hours. Rideshare companies like Uber and Lyft are just one of many ways to generate some extra income with flexible hours.

Obtaining a Financial Advisor

Establishing an emergency fund is one of many integral parts of financial planning. When planning for you and your family's financial success, ensure you have a financial advisor that is aligned with the goals of your family.

Please visit the ABC-C Website at <https://www.abc.army.mil> for more information.

Benefit Specialists are available at 785-240-2222, DSN 520-2222, or toll free at 1-877-276-9268 Monday through Thursday from 7:00 a.m. to 5:00 p.m. CT.