

In the past few articles, I've mentioned the importance of having an emergency fund but I have a feeling not a lot of people have a safety net. Unfortunately too many people live on a month to month basis and rely on credit to get them through if the money isn't there. If you were to charge \$1,000 on your typical credit card, it will end up costing you over \$250 in interest if you pay it off in a year.

One of the first things needed when putting together your financial plan is an emergency fund. There are many things that determine how much this emergency fund should be, but a good basis would be six months of expenses. If your job is not as secure or you happen to be in sales, you might think about putting a little more away. I would recommend putting this money in a separate account other than your checking to reduce the temptation to spend the money. There are many high yield savings accounts available online and this would be a great place to put it. Any other type of investment would be too risky.

Now, there are a couple of things you can do to help you build this emergency fund. First thing I would do is look at my expenses. Ensure you at least know where your money is going. You could probably find at least some place to save a couple of dollars a day. If you can find a way to save \$5 a day, you would have an extra \$1500 in the bank at the end of the year. Also, if you received a tax refund this year, a great thing to do is earmark it for the emergency fund. Additional income earned such as a raise or bonus should also go straight into the fund if you do not have enough money.

The one good thing about having the emergency fund is if an emergency happens, you can at least know you can pay for it. I think that is a great reward!

If you have any questions you would like answered, please call me at (866) 724-4291 or email scottboyles@brightscape.com.