

Get \$SMART Wausau C O A L I T I O N

"Educating people to make smart money choices."

Q How much money should I set aside for emergencies?

A You are not alone if you feel pinched in these turbulent economic times. It is never easy to save, and now it seems more challenging than ever. But saving has never been more important. Few Americans set aside enough to weather a financial storm. Well over half say they would fall behind on their mortgage, rent, or other bills if they were to miss a single paycheck! America has one of the worst savings rates of any developed country, even China.

How Much?

You cannot know when you will need cash for an unexpected emergency. To protect yourself and your family, start today to build enough reserve to carry you through a storm. Cover your bases first by setting a savings goal of three to six month of expenses. If your work is not steady, make your goal a little higher. Include rent or mortgage payments, utilities, car or transportation expense, groceries, insurance premiums, and enough for insurance deductibles.

How to do it?

One of the easiest ways to save is to have your income check automatically deposited at your bank or credit union and set up an automatic transfer of some percentage to a savings or investment account. A good amount to save each month is one-twelfth of your income (around 8%). At that rate, you will save one month's income each year. Not bad! Throw in extra money you may receive as a gift, bonus, or tax refund.

How accessible?

Because you want ready access to this money in an emergency, a good place for it is a savings account or money-market deposit account. Recently the FDIC extended insurance to all such funds, protecting up to \$250,000 per account. Be sure to talk to a financial planner about your situation if you are looking for other types of investments for your rainy day fund.

Review your emergency fund periodically to make sure it fits changing circumstances in your life. Try to invest extra cash before you can spend it. With careful planning, you should not have to worry about paying for emergency expenses.

Visit www.getsmartwausau.org for information on free or low-cost local programs to help you make smart money choices.

