

Why You Need an Emergency Fund

And How to Create One Painlessly (Part II)



How will you pay the monthly bills if there is a temporary job disruption such as strike action, or short term layoff? Or worse, what happens if your income dries up for more than two or three months?

It's an ugly scenario that everyone must be ready to deal with, especially during these uncertain times and economic downturn.

The Risks of Not Having a Safety Net

An amply stocked emergency fund can help you avoid plunging into debt or robbing money from your retirement account — and incurring big tax penalties — when you're short on income or faced with major

unforeseen expenses, such as big medical bills or a new roof.

Members should set aside enough cash to cover between three and six months of personal and business expenses. To determine the target amount for your emergency fund, add up your monthly bills — including rent or mortgage, car payments, utilities, groceries — and multiply by four or six months.

5 Steps to Getting Your Fund Started

Your target figure may seem impossible to attain, if you're starting from scratch, but don't let that stop you from socking away money every month.

To get started:

1. Set up a separate account.

It's essential that your emergency fund is not attached to your checking account or ATM card. Otherwise, you may be tempted to borrow money when it's not a true emergency. A separate savings account is recommended.

2. Contribute as much as you can. Determine how much you can afford to set aside each month. There's no right amount.

You want to be able to put food on the table, but you also want to be building your fund.

3. Treat it like a monthly bill.

Whether it's \$10 or \$100, be disciplined about putting that money into your fund. It's just as important as the mortgage bill or the electric bill. If possible, have your bank automatically transfer the money from your checking account.

4. Cut the fat. Beef up your monthly contribution by finding other places in your budget to cut back. Maybe opt for a less expensive cable TV package or eat dinner at home more often.

5. Start now. It's never too late to start saving up for a rainy day. Even if you start small, it's better than doing nothing at all. Identify your target amount, and start working toward it. You're buying yourself financial security and peace of mind.

Important Notice: Information from District 141 EAP is for general information purposes only and is not intended to replace the counsel or advice of a qualified health professional. For further help, questions, or referral to community resources for specific problems or personal concerns, contact your local or regional EAP coordinator. A complete listing of coordinators can be found at <http://www.iam141.org/eap/staff.html>

IAM District 141 Employee Assistance Program