Save For Emergencies

Nearly a quarter of savers chose "emergency savings" as their first wealth-building goal. And they have the right idea. Research shows that low-income families with at least $500 in an emergency fund were better off financially than moderate-income families with less than this amount. Yet most Americans don't have enough savings to cover an unexpected emergency.

What is an emergency savings fund?

An emergency savings fund consists of at least $500, usually in a savings account that you do not have easy access to. Saving for this fund starts with small, regularly scheduled automatic contributions that build up over time.

Why should you start saving for emergencies?

Maintaining an emergency savings account may be the most important difference between those who manage to stay afloat and those who sink in debt. It also gives you peace of mind knowing that you can afford to pay unexpected expenses. That's because keeping $500 to $1,000 of savings for emergencies can allow you to easily meet unexpected financial challenges such as repairing the brakes on your car or replacing a broken window in your house.

Not having emergency savings is one of the reasons many individuals borrow too much money, resort to high-cost loans, or increase their credit card balances to high levels.

How should you build your emergency savings?

The easiest and most effective way to save is automatically. This is how millions of millions of Americans save. Your bank or credit union can help you set up automatic savings by transferring a fixed amount from your checking account to a savings account. Learn more about saving automatically.

Where should you keep your emergency savings?

- It's usually best to keep emergency savings in a bank or credit union savings account. Keeping your money in a savings account makes it much less likely that you will use these savings to pay for everyday, non-emergency expenses.

Where should you NOT keep your emergency savings?

- U.S. Savings Bonds or mutual funds. Though these are useful tools for long-term saving, they are not ideal for an emergency fund that you may need access to more quickly.
- Checking Account. A checking account or debit card is used to pay for everyday, non-emergency expenses making this money too easy to access.

Source: AmericaSaves.org