



## Money Tools

# Building an Emergency Fund

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Flat tire? Leaky roof? Your child broke their arm?

These emergencies may not happen all at once, but these and other emergencies occur too often.

How can we prepare for all that life may throw our way? One of the best ways is an emergency fund.

Use this guide to help build and add to your emergency fund.

## What is an Emergency Fund?

An emergency fund is money you have saved for emergencies or unexpected expenses. It can be used for large or small unplanned expenses that are not part of your usual spending. Without an emergency fund, you might have to turn to credit cards, quick cash or even selling possessions.



An emergency fund can mean the difference between an unexpected expense or a financial crisis.

An emergency fund is:

**Specific** – Use emergency fund money for emergencies only! The money in your emergency fund is ear-marked for a specific purpose and should be kept in its own account. As tempting as it may be, emergency fund money is not for splurging on something new, taking a much-needed vacation or adding a few extra gifts under the tree.

**Accessible** – The money in your emergency fund should be easily accessible. After all, you never know when you might have an emergency or unexpected expense. Typically, emergency funds are kept in liquid accounts. Liquid accounts are accounts that let you take out money quickly without fees.

**Flexible** – The amount of money to keep in your emergency fund will be determined by your employment status, job stability and the number of debts you owe. Additionally, your emergency fund will increase as you work toward and meet your savings goals.

**Ever Changing** – A fully funded emergency fund is not likely to happen overnight. Most people build their emergency fund with smaller contributions over time. Once you reach your emergency fund goal, you will still need to add money to your emergency fund when you withdraw money to pay for unexpected expenses.

One common place for keeping your emergency fund is a savings account at your bank or credit union. Savings accounts are safe and allow you easy access to your money. As your emergency fund grows, you might consider other accounts for some of the money such as short-term certificates of deposit or money market funds.



## Get Started

Saving anything is better than saving nothing. It is the habit of saving that is most important.

Work toward having three to six months of your take-home pay in your emergency fund. Try to save more if your work is seasonal or your job is not stable.

This might seem impossible, but the key is to start out with small savings goals. Maybe your first goal is to work toward saving an amount equal to one month's pay. Maybe your goal is to save \$100. Or, maybe your goal is to start by saving a dollar a day. Regardless, the most important thing to do is to start saving today.

Start by saving any amount, but just get started today.

## Become a Savings Star

**Pay Yourself First** – Make savings a habit. Put money aside for savings much like any other bill or debt you have to pay. Each time you get your paycheck, save some money for your emergency fund.

**Get Help from Your Employer** – Some employers will let you split the direct deposit of your paycheck between different accounts. If this is the case at your job, you can designate that a portion of each paycheck automatically gets deposited into a savings account. Check with your employer to see if this is an option for you.

**Use One-time Money** – Use a tax rebate, bonus from your job or money given to you as a gift to give your emergency fund a boost. Save a portion or all of one-time money, and watch your emergency fund grow.

**Set A Goal** – Building an emergency fund is a process that takes time. Start by setting your savings goal. Regardless of what amount you choose to save, a savings goal can give you an achievable accomplishment to work toward. Put your goal on paper and put it somewhere – fridge, wallet, purse – you will be reminded frequently of what you are going to achieve. You are more likely to achieve your goals if you write them down.

**Check In** – As you work toward your savings goal, check your progress and see how you are doing. Are you paying yourself first? How close are you to reaching your goal? Do you need to adjust your goal or the amount you are saving? Checking in is a great way to stay focused and stay on track to reach success.

## Self-Check

Respond to the following to see how you are doing building an emergency fund.

I have an emergency fund started.	Yes	No
I have set a savings goal.	Yes	No
I can easily get to the money in my emergency fund.	Yes	No
I always try to pay myself first.	Yes	No
I can cover an unexpected expense without using credit or quick cash services.	Yes	No

## References

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