

Emergency Funds

Life is full of surprises. Sometimes these surprises can be expensive so it's wise to be financially prepared. An emergency fund can help cover these unexpected expenses while still keeping you on track with other financial goals. Emergency funds should be easily accessible yet kept in a safe place, like a standard savings account at your financial institution

Vocabulary Terms

Emergency Fund: Money set aside to help cover unexpected expenses or regular expenses due to sudden loss of income.

Certificate of Deposit (CD): An account offered by financial institutions that provides a higher interest rate in exchange for leaving the money untouched for a predetermined amount of time.

Laddering: a method that divides your emergency fund into several CDs that mature at different rates so the money will be available at different times.

1. The 3 U's stand for:

U Unexpected U Urgent U Unavoidable

2. How much money should you aim to have in a short-term emergency fund?

\$500-\$1,000

3. How much money should you aim to have in long-term emergency fund?

3-6 months net income

4. Circle the scenarios in which it may be appropriate to use your emergency fund to pay for the expense:

Concert Tickets

Water Heater Breaks

Replace a Flat Tire

Pay Rent While Out of Work

Flights to Disneyland

A Nice Sushi Dinner

Doctor Bill for Broken Arm

The Newest Video Game

5. What's something you can do to start building your emergency fund?

Answers will vary.

6. My biggest takeaway:

Answers will vary.