

Getting Your Financial House in Order: Do I Really Need an Emergency Fund? – Video Transcript

Sometimes life throws us an unexpected curve, such as a surprise car repair, or even a layoff.

We can expect that unexpected things will happen; we just won't know in advance what or when...

An emergency fund can help ease the hardship of an unexpected expense or loss of income.

A general guideline is to maintain an emergency fund of 3 to 6 months' living expenses.

People with very secure jobs and other financial resources might target toward the lower end, while others might need to set aside closer to 6 months' expenses.

"Living expenses" include any ongoing expenses you would have in an extended emergency, including food, shelter, and ongoing debt payments.

An emergency fund can be built in steps.

For example, starting with a goal of \$1,000; then after that a goal of 1 months' expenses; then a goal of 2 months' expenses; then 3 months' and so on.

It would not be wise to take on investment risk in an emergency fund.

Consider keeping it in a stable, secure, and accessible account, such as a savings account.

Building an emergency fund can help you navigate life's challenging times, helping you reduce the chance of going backwards when the unexpected happens.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.