

In our own financial lives, we have our own emergency levels. For example, having to unexpectedly buy lunch might be a financial threat level 0, while having to purchase all new tires may be a financial code red! Financial emergencies are funny things because the levels are different for everyone. Having to buy gas may feel like a financial emergency for you, while others take on big expenses without too much worry.

How to Get Past Financial Emergencies

The way to make something that is a financial emergency now into something you can handle later involves one thing: savings. That is really it. You need savings to make those emergencies into something that you can handle. If your car breaks down, having \$2500 saved for just this type of problem is going to make your life so much easier. Savings really are the only practical way to make financial emergencies less of an emergency and more of a small problem.

Savings are all about avoiding problems and stress. Financial issues will come, with the potential to be extremely damaging and stressful. Having savings can limit that damage and save you the pain and problems that come with it. They allow you to focus on real goals that you can reach. If you have ever found yourself wanting to do something but never seem able to get even one step closer, you need to start saving. All those things that may seem out of reach—like a vacation or moving to a new place or buying a new car—all start with you saving. Not only do savings help you to avoid future pain, but they also can bring future ease and relaxation. Of course, a small savings account will not allow you to retire at 40, but you may be able to do things you only dreamed of before.

How to Save

Your first goal should be to get enough into your savings account to cover an everyday emergency. A good number to shoot for is \$2500, which will cover most emergencies or unexpected expenses. That may seem like a whole lot of money, but it is still possible. For example, if you are paid every two weeks, putting \$50 in savings from each paycheck would get you there in two years. Two years probably seems like a long time from now, but that two years is going to pass whether you are saving or not. If you want to avoid future stress and problems, get the benefits of having savings, and grow them in maturity, then starting to save now makes sense. Here are a few tips that will help you in your process:

- Get an actual savings account. It is normally more difficult to get to money in a savings account, which may help you avoid impulse purchases. They are easy and inexpensive.
- Start saving in small amounts. Don't put all your money in savings right away—that will just tempt you to take it back out. Instead, just save a little from each paycheck and then only take it out if an unexpected emergency comes up.
- Get rid of spending to offset your savings. If you save \$20 per week, give up eating out twice a week to save that. Saving works when you aren't overspending.
- Sell some stuff. Got a bunch of stuff lying around that you don't use or need? Sell it and put that money into savings. It's a great way to jump-start your emergency fund.
- Continue saving even when you don't feel like it. Feelings are one thing that are always changing; your need for savings in the future is a constant. Keep saving and remember your bigger goals.

Keep an emergency amount in savings at all times. If you have an emergency, use it to pay for the emergency but then continue saving. After you get that \$2500 in savings, your next goal will be to save up a few months' worth of living expenses. This includes rent, utilities, grocery money, and any other important expenses you pay each month. This may sound crazy or totally impossible, but let's think about why it's important. Right now, you may be working and happy at your job. Or you may have great benefits that pay your bills. But the one certain thing about life is that it ALWAYS changes. Businesses shut down, government benefits can change depending on who is in office, and sometimes we are let go from our jobs. Life can go to DEFCON1 in a moment. Without savings, the roof over your and your kid's heads is REALLY threatened! Or feeding and taking care of your family becomes a REAL crisis. That savings account can buy you time to find another job. Make sure you set this money aside in a savings account that you don't touch unless you have a real emergency.

Current Financial Emergencies

If you are currently in a financial emergency, then starting to save may seem like wishful thinking. The truth is, if you are in a financial emergency, then you need to cut all extra spending and increase your income. This is no fun, and it's hard work, but it is an EMERGENCY. Get an extra side job, sell something, and stop buying anything you don't need in order to survive. Then, once the financial emergency is past, you can start saving money so you don't have to go through all of THAT the next time.

Your Future

The point of putting money in savings is to make your life easier. At the start, it may seem like it is making your life harder, but it will pay off big the next time you have a financial emergency sneak up on you. But you can use savings to do even more. If you would LOVE to go on a cruise, then that is something you can start saving for. Just save a little more beyond your emergency savings. If you have things you would love to do, savings can help you get there.

Resources:

1. Cruze, Rachel. "A Quick Guide to Your Emergency Fund." Ramsey Solutions, Ramsey Solutions, 24 Sept. 2021, www.ramseysolutions.com/saving/quick-guide-to-your-emergency-fund. Accessed 11/28/2020
2. "An Essential Guide to Building an Emergency Fund." Consumer Financial Protection Bureau, USA.gov, 2020, www.consumerfinance.gov/start-small-save-up/start-saving/an-essential-guide-to-building-an-emergency-fund/. Accessed 11/28/2020