

Where Should I Hold My Emergency Fund?

HOW TO STORE CASH IN CASE OF AN
URGENT NEED



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WHAT IS AN EMERGENCY FUND?

01

An emergency fund is a separate cache of savings that can cover you during an emergency. It should be accessed only in **EMERGENCY** circumstances, such as:

- Job loss
- Accident or illness
- Fire, flood or other natural disasters (especially when you don't have insurance to cover those incidents)
- Unexpected and necessary home or car repairs

I've spoken to countless parents who can't even cover an emergency expense of \$100.

This is not ok.

Life happens, job losses occur, you name it. We must have a small reserve of “liquid” money that we can access in an emergency. We don't want to have to touch it, but it's there for us if we need it.

As single parents already have double the bills on half the income, this becomes even more important.

While you want this money to be accessible, you don't want it sitting under a mattress either.

Ideally, this money is “working for you you” while being easy to access.



02

HOW MUCH DO I NEED?

3 to 6 months of living expenses is what I advise.

Don't worry if you don't have this just yet. It can definitely take a while to build. Think of it like any other investment goal you have.

For a single parent with \$5000/month in expenses, \$15,000 to \$30,000 can seem intimidating. For this reason I like to think of this as a multipurpose fund.

THE MOST IMPORTANT THING

Start today if you haven't already. Take a look at the cash flow you have at the end of the month and determine realistically how much you allocate to this goal.



HOW DO I BUILD AN EMERGENCY FUND?

03

Once you have an amount to shoot for and have made a **commitment with yourself to get started**, there are numerous ways you can accumulate the money you need at a faster rate.

5 WAYS TO START

01

Round it up. There are apps that will round up any purchase you make to the next dollar, with the difference going directly into savings.

02

Sell things you no longer need. Whether you have a yard sale or market items for sale online, you'll earn some extra cash.

03

Eliminate unnecessary expenses. For example, prepare coffee and meals at home instead of grabbing takeout.

04

Set up automated transfers. Move a given sum from your chequing account into your emergency fund each week or month.

05

Add lump sum payments. Whenever you get an influx of cash, such as a tax refund or bonus, put at least a portion of it into your emergency fund.

An Emergency Fund Is Just A Part Of Your Portfolio

This isn't some GOAL amount you need to have separated necessarily. You just need to know that you have access to liquid money (money that can be accessed in a day or 2 if needed) for your own peace of mind.

Because many people can't cover an emergency if it should arise...

You want to be able to do differently for your family. This is where you start - by making sure you aren't left scrambling, wondering how you're going to feed your children in the event of a sudden job loss.

**HOW THIS FUND LOOKS LIKE FOR YOU
DEPENDS ON MANY DIFFERENT FACTORS.**

CONSIDER...

Do you have a
stable income?
Investments?
Access to credit?
What's your
cashflow like?

DO A SCENARIO ANALYSIS

If you needed \$1,000, \$10,000, \$40,000...

What would this look like for you?

Could you have enough cashflow at the end of the month to cover an emergency? Would you sell stock, dip into retirement savings or use a credit card. If using a credit card, do you have the ability to pay it off quickly? Do you have family that could possibly help cover a larger unexpected expense?

This looks different for everyone.

For me, I'm comfortable cashing some of my investments and have access to credit if I need the extra day or 2.

ask yourself what you would do.

04

WHERE DO I KEEP AN EMERGENCY FUND?

If you're new to the investing world, and this is where you're starting (with no other investments) you can think of this as your general portfolio.

The goals are to be able to access it if needed but not have inflation erode it over time. Remember this isn't money you access on a "rainy day". This is money dedicated to help you in only the most "desperate" situations.

CONSIDER THIS

Keep this money out of places where you'll be tempted to spend it. Don't mix it with your general chequing or saving account.

Some appropriate VEHICLES

01

HIGH INTEREST SAVINGS ACCOUNTS

A high-interest savings account offers a more attractive interest rate than other savings accounts that may be offered by the institution. The interest rate is applied to the entire balance in your account and is calculated daily but paid out monthly. Note, however, that some banks may only pay a higher interest rate if you maintain a minimum balance.

02

MONEY MARKET FUND ETF

A money market fund invests in securities (not actual cash). These securities are very short term and very high quality.

Examples are Canadian T-Bills, bankers acceptances, commercial paper that allow you to “equitize” your cash - translation - get a return on your cash with very very VERY low risk.

03

STOCK PORTFOLIO OF ETFs

It's best to avoid higher-risk investments, such as stocks, some ETFs or mutual funds, when it comes to emergency savings. That's because emergency funds are short- to mid-term investments, and you won't be able to weather the volatile swings of the stock market that you normally could when investing over a longer period of time.



remember...

You want to look at your entire financial situation as a whole.

What works for one person, may not for another. The main goal of this investment is that you have “something” available to you (suggested 3-6 months of expenses covered) in case of an emergency.

These funds should be easily accessible but also earning you an appropriate amount of interest over time.

