

## Are You Financially Prepared for the Unexpected?

The June issue of Money Magazine conducted an online poll of 54,549 people living in New York City. The question they asked " How much is in your emergency fund? The responses:

- 22% -- none
- 19% -- 3 to 6 months of expenses
- 22% -- less than 3 months of expenses
- 37% -- more than 6 months of expenses

What's your response to this question? I was shocked that 37% of the people polled had more than 6 months of expenses in an emergency fund. Actually, I didn't believe the poll. Most of the women I've talked with in the past seven years had very little in their emergency fund. They were too busy trying to meet their monthly expenses and pay off their credit card debt.

Just a couple of days after reading this poll I read a story in the Seattle Times – *One Family's Sudden Fall from Comfort to Despair* ..One day Patrick Robbins of Chicago was earning \$110,000 a year the next day he was laid off with no severance pay. In Patrick's words the family went from middle-class to poor immediately. Patrick's wife Kimberly made \$20,000 a year working part time as a person trainer. Patrick's unemployment covered the mortgage but nothing else and the family did not have an emergency fund. The family sat down with their four children and explained the situation. Eventually Patrick found another job in Little Rock, Arkansas and didn't hesitate to move. Read the story in detail online at

With today's challenging economy most of us know someone who has lost their job – including me. My brother lost his job with City of Stockton several months ago and is still looking for another job. We like to think that bad things don't happen to good people, but let's face it – bad things DO happen to good people every single day. What can you do about it? Take steps to protect yourself financially.

Begin by funding an emergency account. The account should be accessible, but not so easily accessible that you can dip into it frequently. There are numerous places to keep your emergency fund that provide you with a small return – certificate of deposits (CDs), U.S. Savings Bonds, savings accounts and money market accounts. All are available through financial institutions and offer access to your money at a low risk.

I don't recommend establishing your emergency fund in the financial institution you use regularly because these days it's incredibly easy to transfer money between your accounts. Establish the emergency fund in a financial institution that's across town or in another city. Make it difficult to get to your money and your chances of not dipping into the fund will significantly improve. Take it from someone who's been there. We opened our emergency fund in a money market in another state. To withdraw money we had to write at least a \$500 check. This is similar to carrying a \$100 bill in your wallet – it makes you think twice before spending it. Another tip – don't link a debit card to your emergency account. If you don't have any extra money for your emergency fund consider completing a new W-4 form and change your deductions. It will increase your take-home pay and give you the extra money you need for your emergency account.

If you're wondering how you're going to establish and maintain your emergency fund while paying your monthly bills take one step at a time. The easiest and most painless way to fund your emergency account is to have the money automatically and regularly withheld from your paycheck. If your employer doesn't offer this option, have the money automatically withdrawn from your bank

account. If you don't see it, you won't miss it and you won't spend it. You'll be surprised how quickly your emergency fund will grow.