

# Expect The Unexpected

Ever had one of those "emergency" situations that forced you to pull out your credit card and start swiping? Do you keep telling yourself that you're going to cut up your credit cards and use cash, but it never happens? Once you get an emergency fund in place, you won't have to rely on those credit cards ever again!

The first thing to do when committing to get control of your money is to quickly sock away \$1,000 for an emergency fund. This pile of cash is not an investment or vacation fund; it is for those unexpected events that happen in life, like car problems, house repairs or an unplanned medical bills. Once you get \$1,000 in the bank, leave it alone and only use it for a true emergency.

## The "Relax Fund"

Besides covering you when something unexpected occurs, an emergency fund also gives you a sense of security. **Once the emergency fund is in place, it will allow you to relax.** It will give you a sense of peace, a sense of destiny with your money. It's a huge emotional step in your financial process.

*Financial Peace University* (FPU) Facebook fan Jarron Barron says he's never had to use his emergency fund. "I set it up last fall and, strangely, it appears to have warded off the emergencies. I guess guarding at the door really does keep the thieves out!"

According to *Money Magazine*, **78% of Americans will have a major negative financial event in any given 10-year period.** An unplanned event will cause you to dip into your emergency fund. Imagine if you didn't have an emergency fund to cover the incident. It feels good knowing you have cash set aside for this exact reason.

Take, for example, Melissa Baker, another FPU Facebook fan. She recently had to replace her hot water heater and floor where the old one had leaked. "We actually went over our \$1,000, but we had the extra and repaid it the next week." That's what happens when you set up an emergency fund and use it only for emergencies. If your \$1,000 is actually there when an emergency occurs, you'll be covered. **The situation will no longer be a complete crisis, just an inconvenience.**

## Why \$1,000 (or \$500) to Start Off?

Setting aside \$1,000 is a good amount to cover you when a real emergency happens. Between car problems, medical bills, and other unexpected expenses, the money can add up fast. But putting away that amount will allow you to cover the majority of those unforeseen costs without flinching too much.

If your income is less than \$20,000, you should only set aside \$500 as an emergency fund. If you make more than \$20,000, then there is no reason why you can't save up \$1,000 quickly. Forego your weekly pizza nights. Skip seeing the latest blockbusters at the theater. Don't buy that new outfit at the mall. Do whatever it takes to save up enough cash to set aside in your emergency fund.

Now remember, don't touch the emergency fund except in cases of emergency. This is not a leather couch fund. This is not a vacation to the beach fund. This is not an "I found a great deal on something" fund. This is an emergency fund. Do not touch it.

**Once your \$1,000 emergency fund is in place, you will feel more secure and confident with decisions that involve money.**