Emergency Funds  Part 2 of a two-part article
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In part 1 of this article we went over the basics of an emergency fund, what it is and why it is important to have one.

Everybody needs an emergency fund. Everybody needs a reserve source of cash that they can rely on when that sudden need arises - unplanned but necessary expenditures that require additional money beyond what you have.

But what if you haven’t already started to put money into an emergency fund, or what if what you have just isn’t enough? Remember, what you decide to set aside is just your best guess of what you think you’ll need. The impact that the current health crisis has had on the world has certainly gone beyond anybody’s best guess, so don’t be surprised or discouraged if you now think that you need to add to what you previously thought was a good amount to have saved.

- Is it too late to start an emergency fund?

It is never too late to start saving for the future.

With the possibility that going forward the economy will go through difficult times, having savings to turn to will become even more important. If you are fortunate enough to not have to use that money now, knowing that you have it will provide you with a level of financial security and peace of mind.

- What if I don’t have enough?

What about now, more immediate needs? If the cost of your necessities is greater than what you have coming in and what you have on hand, turn first to your emergency fund. Then, to cover any remaining shortfall, look to other savings accounts you may. At this point, you may need to reprioritize your goals. Maybe you can wait to buy that vehicle or take that trip that you were saving for. Your needs must always come before your wants.

Turn emergency assistance offers into emergency savings. Today the banks are allowing deferrals on many types of loan repayments. Keeping those funds in your pocket may enable you to redirect that money towards more immediate needs. If you don’t need to urgently spend that cash, then think about putting it in a savings account, a quick way to jump-start your emergency fund.

- What if I really don’t have enough?

Emergency funds are one tool to deal with uncertainty. Today’s environment has certainly highlighted the need to have one, but if you haven’t been able to build up yours, these are some other resources that you can look to.
Talk to the companies behind some of your monthly bills. In addition to the banks, others have stepped up to provide temporary relief, so ask them questions and see if you can agree on a changed payment plan.

Talk to your life insurance provider. Is there a cash value to your insurance policy that you can access? Many people take out insurance policies when their children are young, in order to provide for their children’s futures. If your children are now grown or your circumstances have otherwise changed, there may be an excess cash value that you can pull out now.

Have you been making additional payments to your retirement account, amounts above the level of your employer match? If so, consider temporarily reducing your contribution to an amount just equal to what your company will match.

Talk to your HR department about recent changes to the pension legislation that have provided for a temporary suspension of a portion of the required contribution that an employee must make to their plan. This could mean a bit more money in your paycheque for a short period of time.

Talk to your lenders. If you have existing debt, consider the possibility of restructuring in order to reduce the amount of your monthly payments. Consider other, possibly less expensive forms of borrowing such as home equity loans or unsecured personal loans. Remember, whatever you borrow today will ultimately need to be repaid, so make sure you understand the terms of any and all debt before you take it on.

Credit card debt is most likely your highest cost debt, so avoid adding to it if you can. If you need to rely on it, have a plan in mind for how and when you will be able to pay it off.

For many, the crisis is now. What other strategies might you employ to help get you through some difficult times? In addition to what’s been mentioned here, think about other ways to help you deal with the unexpected. Don’t go it alone, talk to others whose opinions you trust.

Saving for uncertainties is just one part of a financial plan. Identifying your goals, understanding debt and how to use it, creating a budget, tips for savings and managing expenses are other topics that we will address in the coming weeks.

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