

The True Purpose of an Emergency Fund Is.....

💬 To keep you out of temporary poverty when bad things happen – allowing you to borrow at zero interest from yourself without delay or questions asked. 💬

– Household Finance 101 - Your Flight Plan to Financial Independence

◆ Because being poor is expensive - even if temporary ◆

There are two types of emergency funds:

◆ **Short-term** - \$1,000-5,000 - takes care of car breakdowns, a leaking water heater, or a broken A/C (in the middle of July) + other "Gotcha" stuff.

◆ **Long-term** - 3-6 months of living expenses - takes care of structural setbacks such as a job loss and large unexpected expenses (medical, legal, major car or home damage not insured, natural disaster, etc.)

◆ When sizing the long-term emergency fund, here are some factors:

- Income stability and redundancy.

Single person - aim to have at least two sources of income.

Couples - Check if your income is from unrelated industries / sectors of the economy.

- Consider the age of your home and cars.

- Existing medical conditions within the household.

- Level of insurance versus deductibles across all areas.

- ◆ If you do not have an emergency fund, begin with the short-term version as the first priority. Then pay off expensive debts - and after that - turn the short-term fund into a long-term fund.

- ◆ Keep the funds in a separate high-yield savings account (might as well earn some interest)

- 📌 Navigate your finances like an aviator boss - Stay smart and safe.

