

Healthy Money Habits



Preparing for Financial Emergencies

3-6 Months – Research suggests that having 3-6 months worth of expenses in an accessible savings account can significantly help households deal with most sudden drops in income including job losses.

Separate & Automate – Saving 3-6 months of expenses may sound challenging, but it doesn't have to be. Focus on the *process* of saving rather than the *total amount* needed. Simply set aside 10% of your regular pay through automatic transfer to a dedicated savings account. This account should be entirely separate from other savings or checking, and should only be accessed in times of true emergency. Small regular contributions to savings can add up to a big difference.

Food Storage – Having and rotating a store of canned food and grains in your grocery budget, along with a stash of household cash in small denominations will help during short-term emergencies like local power outages, etc.

Insurance – Medical debt is one of the leading causes of bankruptcy. Ensure proper health coverage through an employer, individually, or through a health exchange system to reduce your personal risk. Also consider disability insurance through your employer if offered. A bread-winner is 12 times more likely to become disabled than die, yet life insurance is a much more common purchase.

Step 4

Class Challenge

Plan to Save

Use an [emergency savings calculator](#) to explore the **process** of building an emergency fund through regular contributions to a savings account.

Create or respond to a post with questions or feedback on this challenge here <https://www.facebook.com/pages/Idahos-Two-Cent-Tips/158778734174237>

Food for Thought

Compound interest means that borrowers pay and savers earn! \$7,500 borrowed on a credit card due to a job loss would cost about *\$16,168 to pay back. However, that same amount “borrowed” and repaid to a personal emergency savings fund would only cost about **\$7,144. That is less than half the cost for the same emergency!

*Assuming minimum payment of \$188 on a 25% APR credit card.

** Assuming a \$188 contribution to emergency savings earning 1% to return to original account balance.

Additional Resources

Find related resources here: <http://extension.uidaho.edu/madison/?s=emergency&searchsubmit=>

Luke Erickson
University of Idaho Extension
erickson@uidaho.edu

Caldwell Research & Extension Center
1904 E. Chicago St., Ste. AB
Caldwell, Idaho 83605
208-538-9936

University of Idaho
Extension