

Section 3: Saving for Unexpected Expenses

We will discuss saving money for unexpected expenses, how to plan for an emergency savings fund, and setting aside income for times when your income or expenses vary.



Key Takeaway



An emergency savings fund is part of the foundation of financial health. Setting aside \$500 to \$1,000 can cover many unexpected expenses.

Why Save for Unexpected Expenses?

Life happens. Unexpected events occur. And, they often require money.

An emergency savings fund—money specifically set aside for unexpected expenses—can help.



Try It: Unexpected Expenses

List some of the unexpected events in your life that required money. Put a check next to those that you handled or could have handled with \$1,000 or less.

Anticipating Changes to Income and Expenses

Your income and your expenses can change.

What are examples of changes to income?

What are some examples of bills that arrive only once or a few times per year?

What are some examples of when your expenses increase temporarily?



Apply It: Estimating Savings for Changes in My Income and Expenses

You can use the tables below to create a list of increases and decreases in your income, and a list of upcoming periodic or special expenses. The questions following each section will help you figure out how these changes relate to your savings and your goals.

↑ Increases in Income

Item	Timeframes (If you expect it, when will it likely happen?)	Estimated Amount of Money
Tax refund		\$
Increase in my hourly wages		\$
Increase in hours or overtime		\$
Bonus from my job		\$
Gift		\$
Second job		\$
Other:		\$
Other:		\$

How much money from expected increases in your income can you set aside in your savings?

Apply It: Estimating Savings for Changes in My Income and Expenses *continued*

↓ Decreases in Income

Item	Timeframes (If you expect it, when will it likely happen?)	Estimated Amount of Money
Cut in my hours or pay at work		\$
Loss of overtime hours		\$
No income (seasonal worker or loss of job)		\$
Life event that may decrease income (for example, divorce)		\$
Other:		\$
Other:		\$
Other:		\$

What strategies can you use to make sure you can cover your expenses if your income decreases? These strategies might be financial goals that focus on saving money now and setting it aside to cover decreases in your income in the future.

Apply It: Estimating Savings for Changes in My Income and Expenses *continued*

Periodic and Special Expenses

Item	Timeframes (When do you have to pay it?)	Estimated Amount of Money
Self-employment taxes		\$
Property taxes		\$
Insurance payments		\$
Back to school shopping		\$
Special events (such as holidays, cultural celebrations, weddings and birthdays)		\$
Emergencies (such as flat tire, broken assistive technology or mobility device, car repairs, broken bone)	<i>Unknown</i>	\$
Other:		\$
Other:		\$
Other:		\$

Apply It: Estimating Savings for Changes in My Income and Expenses *continued*

How will you cover these expenses when you need to pay for them?

**Remember the Key Takeaway**

An emergency savings fund is part of the foundation of financial health. Setting aside \$500 to \$1,000 can cover many unexpected expenses.