



For creating an Emergency Fund

Financial experts will tell you that no matter your age or income, you need some level of emergency funds – money set aside to help you cover unexpected expenses. If you have an emergency fund, little disasters, like a broken appliance or a car repair, are a lot more manageable. Rather than taking unnecessary loans or borrowing from friends and family, your emergency fund will help solve the problem while keeping you financially on track. Use this checklist to help you get started:

- Calculate how much you may need.** An emergency fund should be able to cover at least three to six months of living expenses such as housing, transportation and food.
- Separate your emergency funds from your other money.** Don't keep your emergency funds in your regular chequing account or pooled with your other money as it can be easily used up for expenditures that are not true emergencies.
- Keep your funds accessible, but not too accessible.** Put at least the first three months of your emergency fund in an interest-bearing investment or money market investment so that there is little to no withdrawal penalty when you need to withdraw your cash and it can be accessed easily. However, your emergency fund shouldn't be so accessible that you can quickly dip into it without even thinking.
- Build your emergency fund slowly.** Putting a huge lump sum into an emergency fund may not be the best idea if you'll need to take money out again to pay for necessities. Rather, build your emergency fund methodically by contributing small amounts consistently.
- Put your emergency fund deposits on autopilot.** To help you save more consistently, set up regular automatic transfers (i.e., direct debit) to your emergency fund.
- Reward yourself as you go.** Do not put all of your disposable income into your emergency fund – you may then be tempted to withdraw if you want to enjoy even small indulgences like the occasional dinner out. Instead, take a balanced approach and set aside some money for discretionary spending so you can reward yourself along the way.
- Pay down debt while building up your emergency fund.** If you've also got debt obligations, consider using half your available cash to pay down the highest-interest debt and putting the other half into your emergency fund. When your debt is paid off, add that extra amount to your emergency fund until you reach your target.
- Don't overfill your emergency fund.** Once you've reached your target for your emergency fund, consider reallocating extra cash to investments that are geared toward long-term growth.
- Create a non-emergency fund for predictable expenses.** We recommend that you create another "non-emergency" account to save money for predictable, occasional expenses such as insurance, home and vehicle maintenance and travel.
- Define "true" emergencies.** We all define emergencies differently based on our personal financial situations. The key, however, is to clearly define what constitutes an emergency for you. If the financial need doesn't fall in that category, then seriously consider funding that need from another source.

Use Databank MFund to build an emergency fund that can help you meet daily expenses should you face job loss or high unexpected expenses. It can help you feel more prepared for the unexpected and help keep your long-term financial goals on track.