

Emergency Funds

With the current economic climate it is important to talk about emergency funds. If people have one, this time of economic slowdown is not as stressful. If people don't have one they may be feeling more stress than others.

Read the article, watch the embedded videos and answer the questions below:

<https://www.daveramsey.com/blog/quick-guide-to-your-emergency-fund>

<https://www.pwlcapital.com/why-you-need-an-emergency-fund-how-much-you-should-set-aside/>

In the first video:

- 1) What is her suggestion on how much to start with for an emergency fund?
- 2) After you have established that first step, what should you aim as your next emergency fund goal?
- 3) Should you keep it in your regular checking/savings account? Explain.
- 4) After watching, what is the best advice you think she gives about once you have the emergency fund established?
- 5) What is an example of what would be considered an emergency?
- 6) What do you think is something that people might be tempted to use the emergency fund for that would not be an emergency?

In the second video:

- 1) What are other people focused on instead of building up an emergency fund?
- 2) What percentage of people had no emergency fund set aside?

Scenario:

For the following scenario, calculate what you think should be in this person's emergency fund. Diane is 32 years old, single and lives on her own. She is a marketing manager making \$57,000 per year. She has a car loan of \$400 per month. She pays \$1,300 for rent and \$300 for utilities. She still has a student loan of \$200 a month. She spends about \$250 for food per month, \$100 per month on clothes, \$300 a month on entertainment and \$200 a month on miscellaneous items. First figure out what are the expenses that absolutely need to be covered if you were to lose your job the do your calculations. Show your work and explain your reasoning.