Emergency Funds, Bankruptcy Articles, Life After Bankruptcy, Emergency Fund, What Is It? Do I Need It?

Setting up an Emergency Fund is the first major financial goal individuals emerging from a bankruptcy should strive towards. Lets face it, financial emergencies happen all the time, and if your living paycheck to paycheck and don't have an emergency fund saved up, it's going to be very difficult to stay afloat through the tough times. Unexpected job loss, large medical expenses, additions to the family, unforeseen home and auto repairs are all examples of expenses that can happen at any time. Ideally, you should save at least 3 months worth of your expenses in your emergency fund. This will allow you to avoid having to use credit cards if an emergency does occur and hopefully this fund will allow enough time to reestablish any loss of income.

Opening a separate savings account for your emergency fund is the best way to keep the savings just for emergencies. Saving your money in your regular checking account will make it too accessible and easy to spend. Your money will stay easily accessible in a savings account if you do suddenly need to use it. The emergency fund must only be used for real emergencies, spending the money frivolously defeats the whole purpose. After the emergency fund is established, you can start putting disposable income towards purchases or other investments. Some people find it easier to restrict their access to the emergency fund by not carrying an ATM card with them to prevent impulse buying. Many people find it best to automatically deduct a portion of their paycheck into a savings account that is used only for emergencies.

You're probably asking yourself? "How do I save the money, things are so tight already." Unfortunately, for some people, saving money is impossible and the underlying problems of the budget need to be addressed first. However, the majority of Americans could save a substantial amount of money over time by cutting back on small day to day expenses. Just cutting a few expenses a day can add up over time. Five dollars a day in savings can add up to nearly two thousand dollars after just one year of savings, and the money will only continue to grow in an interest bearing savings account. Five dollars could be saved in many different ways: getting coffee from work instead of the local gourmet coffee shop, carpooling to work and splitting gas money, bringing your lunch to work instead of ordering out, avoiding all ATM service fees by only using your bank's ATMs, or renting a movie rather than a night at the movies. The best way to see were you can cut back on day to day expenses is by making a detailed monthly budget itemizing every single expense, no matter how small the expense maybe. A review of this budget may surprise you, but nonetheless, show you just how much you are spending on small day to day expenses that can add up to a lot of money over time.

When the emergency fund is established, amounting to at least three months of your monthly expenses, you will have the completed the first major step of financial well being and will be able to survive unexpected expenses arise so often. It also will help establish a pattern of savings, which can be directed to other financial goals in the future. In the end, this ultimately helps establish a pattern of savings that can aid you in achieving your financial goals.