

# Let's Talk



## Emergency Fund



**An emergency fund** is money you save to pay for the unexpected, whether that's a bill you hadn't planned for, a car repair, dental work or a change in your circumstances. These events can cause financial strain and make it difficult to make ends meet. That's where an emergency fund comes in.

This cash is often called rainy day money. Setting aside money for a rainy day can help tide you over in difficult times and provide some financial security when you need it most.



**If you have money set aside for emergencies,** you're far less likely to experience financial difficulties or have to borrow at a high interest rate if things go wrong or your circumstances change. Knowing you've got some money tucked away might help your mental health too.

**How much you actually need will depend on your circumstances,** the sorts of emergencies you might face, your monthly expenses and how much insurance protection you already have.

**Generally,** it's recommended to have enough money in your emergency fund to cover your expenses for at least three months. This may seem like a large amount to save, but don't let this put you off. Having some savings, however small, is better than having nothing. So set your own goal to save a set amount by the end of year. Ensuring it's an achievable amount.

**Keep your emergency fund separate to your current and other savings account.** This will help you avoid spending your emergency fund on other expenses. It's important you choose an account where the money can be easily accessed such as in an easy access savings account or instant-access cash ISA. Avoid accounts where you have to give a long period of notice to take your money out.

## You could set up a standing order of a set amount

from your account each month, transfer money manually at the end of each month or use a more ad-hoc approach, choose the method that suits you best. Saving regularly is a good way to build up an emergency fund. If you get a pay rise, think about saving some of it before you get used to having the extra cash. It's important to review the emergency fund regularly and adjust the savings plan as needed.

If you have manageable debts that are low cost, it shouldn't stop you from starting an emergency fund. Having some savings set aside will mean you won't have to fall back on expensive borrowing if you do have an unexpected expense. However, if you've got expensive debts such as credit card or overdraft debt, arrears on your mortgage or a payday loan, you might want to think about using any spare money you have to pay off these first. Read our guide on debt [here](#) for more details.

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