

Get the basics on emergency funds | Decide where to put your emergency fund | Why save with Vanguard? | Start your emergency fund now

Emergency fund: Why you need one

Emergencies—from a broken bone to a layoff—are a fact of life. When you're faced with life's unexpected events, you *can* be ready.



What are emergency funds for?

An emergency fund is a stash of money set aside to cover the financial surprises life throws your way. These unexpected events can be stressful *and* costly.

Here are some of the top emergencies people face:

- Job loss.
- Medical or dental emergency.
- Unexpected home repairs.
- Car troubles.
- Unplanned travel expenses.

Did you know?

Saving money isn't always easy, but it's likely to be less painful than the alternatives. A recent study found that many of the people surveyed currently or recently:

- Had unpaid medical bills: 26%.
- Overdraw their checking account: 22%.
- Took a loan from their retirement account: 14%.
- Took a hardship withdrawal from their retirement account: 10%.
- Had more than one late mortgage payment: 13%.
- Filed for bankruptcy: 3.5%.

Source: FINRA Investor Education Foundation National Financial Capability Study, 2012.

3 benefits of having emergency money

Aside from financial stability, there are other pros to having an emergency reserve of cash.

- 1 It helps keep your stress level down.**

It's no surprise that when life presents an emergency, it threatens your financial well-being and causes stress. If you're living without a safety net, you're living on the "financial" edge—hoping to get by without running into a crisis.

Being prepared with an emergency fund gives you confidence that you can tackle any of life's unexpected events without adding money worries to your list.
- 2 It keeps you from spending on a whim.**

You've heard the saying "out of sight, out of mind." That's the best way to store your emergency money. If the cash is only as far away as your closest debit card, you may be tempted to use it for something frivolous like a designer cocktail dress or big-screen TV—not exactly an emergency.

Keeping the money out of your immediate reach means you can't spend it on a whim, no matter how much you'd like to.

And by putting it in a separate account, you'll know exactly how much you have—and how much you may still need to save.
- 3 It keeps you from making bad financial decisions.**

There may be other ways you can quickly access cash, like borrowing, but at what cost? Interest, fees, and penalties are just some of the drawbacks.

Avoid these 5 ways to pay for emergencies

Did you know?

56% of people in the United States don't have a rainy day fund that would cover 3 months of expenses.

Source: FINRA Investor Education Foundation National Financial Capability Study, 2012.

Have questions?

Start your emergency fund

We're here to help

Talk with one of our investment professionals.

Call 800-841-3999

Monday to Friday
8 a.m. to 10 p.m., Eastern time

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What's the right emergency fund amount?

WHERE DOES AN EMERGENCY FUND FIT INTO YOUR PRIORITIES?

See how to juggle multiple financial goals



Here are the answers to some top questions about emergency funds.

How much should you have in your emergency fund?

In a nutshell, you should have at least 3 to 6 months' worth of expenses—but the exact amount depends on a few variables.

[Figure out the right emergency fund amount](#)

How does your emergency fund fit in with your other goals?

Because your overall financial picture has many moving parts, it's important to see how your emergency fund fits in with the rest of your priorities.

[Find out how to juggle multiple financial goals](#)

Where should you keep your emergency savings?

[Money market funds](#) can be a great place to hold your emergency savings because they're safe and accessible.

[Find out where to put your emergency fund](#)

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