

Rebuilding your emergency fund after you've used it



Unexpected events remind us how quickly life can change. If we're not prepared financially, we can be left scrambling to figure out what to do. These are the times when many people rely on their emergency funds to stay afloat, but what happens when that money is gone following an event? Here are tips for rebuilding this important financial safety net and tracking spending going forward.

What is an emergency fund?

An emergency fund is a cash reserve that can be set aside for financial emergencies or out-of-the-blue expenses, such as house or car repairs, medical bills, or an unexpected job loss. An emergency fund is designed to ease the pressure during a stressful time and should generally be separate from a savings account. A savings account usually sets aside money for a particular goal, while the purpose of an emergency fund is to help cover unexpected costs for a short period of time.

How much should be in an emergency fund?

The amount of money to put into an emergency fund depends upon your personal situation and monthly expenses, but a general rule recommends that a single person should consider having enough money to cover three months of expenses, while a family with dependents should aim for six months or more.

Building a starter emergency fund

To help weather a future emergency, proactively building a baby emergency fund or starter emergency fund can create more financial stability. This fund contains a smaller amount of money than a full emergency fund and should be based on expenses, not monthly income. This type of fallback account is meant to generally cover one month's worth of essential expenses and can offer a great way to start an emergency fund from scratch or rebuild a depleted one. Proper budgeting and reduced spending may help get this fund going and help increase the balance.

Making an emergency budget

After spending an emergency fund, you may be in emergency mode, which means spending may reflect your current financial state. This can be a good time to start building a whole new budget. Similar to creating a regular budget, an emergency budget is based on income and expenses, while cutting out any spending categories that aren't necessary. In other words, try to create a much stricter budget that keeps expenses down to essentials.

Cutting non-essential expenses

To help put extra money toward an emergency fund, take stock of subscriptions, streaming memberships, and apps that may not be used. Cutting back expenses like food delivery, unnecessary clothes shopping, entertainment, or travel plans can also free up funds.

Pausing non-essential money goals

Before the emergency fund was utilized, you may have been tackling debt by paying off credit cards or school loans. In this situation, going back to making the minimum payments on what is owed can be helpful until the starter emergency fund is back to a comfortable amount.

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Reducing the grocery bill

A monthly food bill is typically one of the largest household expenses. To help save money while rebuilding an emergency fund, consider using coupons, only buying what is needed, planning meals for the week, and making extra portions to provide leftovers for lunch.

Lowering your utility bill

Cutting back on electricity and home heating and cooling bills can make a big impact when trying to save money and rebuild an emergency fund. Helpful ways you may lower utility bills include:

- Adjusting the thermostat up or down a couple of degrees
- Keeping curtains closed during hotter days
- Using less air conditioning
- Turning off the computer when not in use
- Only running the dishwasher with a full load
- Hanging laundry instead of running the dryer
- Installing energy-efficient lightbulbs

Reducing automotive costs

The average person spends thousands of dollars a year on transportation costs. One option is to sell a vehicle and use alternate transportation. This can help cut household expenses by removing costs associated with owning a vehicle, like gas and maintenance.

Tracking your spending

One way to boost the success of an emergency budget is to track both income and expenses. This practice can be especially important when you're in emergency mode. To help keep track of spending, try:

- Saving receipts and keeping a running tally of what is purchased
- Checking credit card balance(s) regularly so they don't get too high
- Downloading a free finance app to help make tracking all accounts easier

Earning extra income

To help rebuild an emergency fund faster or increase the amount being saved each month, there are a variety of ways to help supplement income. Finding a part-time job, like picking up delivery jobs, driving passengers, selling items around the house, tutoring students, babysitting, pet sitting, or renting out a room are all options for earning extra income for an emergency fund.

Create a backup plan

The idea of another emergency happening is often scary, so having a dedicated emergency fund can help ease those worries. Consider creating a backup plan, which is a short-term strategy that outlines where to find employment, how to take out a loan, or which family or friends could provide financial support if more money is needed than what is in the emergency fund.

Since life is often unpredictable, we all may face difficult times, so being prepared can help add a little peace of mind to an uncertain future. Consider taking time to maintain and reassess a budget regularly and prioritize essential spending when possible. If you can, set aside a certain amount of a paycheck each month to automatically deposit into an emergency fund. By doing so, you can begin to rebuild an emergency reserve and be better prepared if the need arises in the future.

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