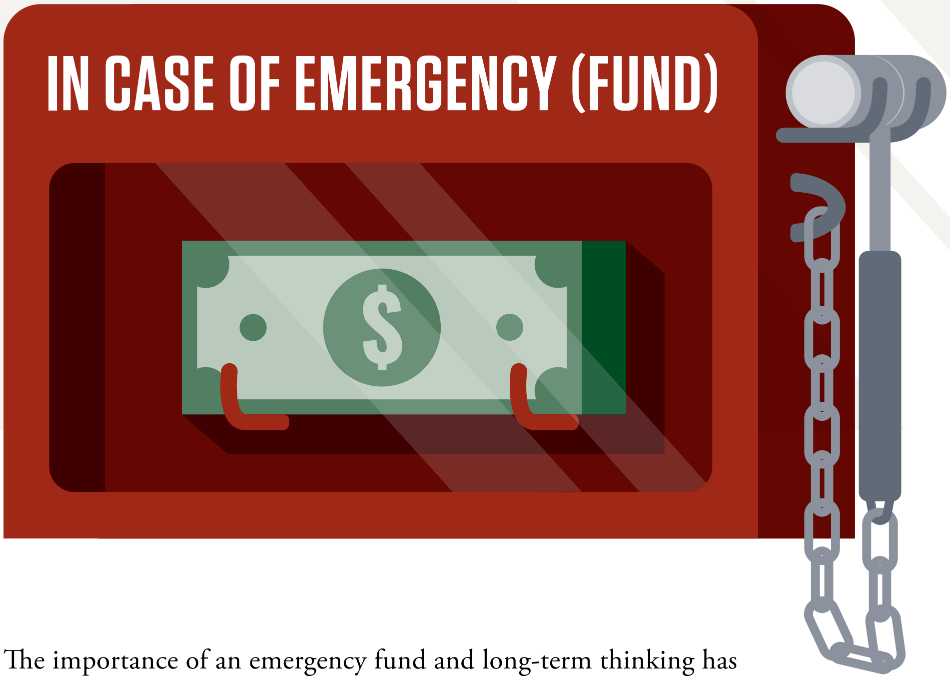

PANDEMIC A POWERFUL REMINDER

THAT HOUSEHOLDS NEED AN EMERGENCY FUND

The importance of an emergency fund and long-term thinking has never been clearer than during the COVID-19 crisis. The advice I have offered to any who asked a question about their finances during the pandemic has been to not make long-term decisions based on short-term circumstances and to focus on having an emergency fund.

Long-term decisions such as saving for retirement or for large purchases should be made with a lifetime plan in mind. These are steps to building wealth, securing a lifestyle for the future, and taking care of yourself and your family. Stock market volatility is a given. The market will always experience peaks and valleys, but over the years, the market trends upward. Making the decision to be in the market for the long haul must be intentional and unrelenting. Resist the temptation to withdraw from the market with an immediate reaction. Indeed, when the market drops, this is the best time to invest more. That's not always possible, especially during difficult times.

Consider this for the future: Plan to have some ready cash available for market drops and strategically invest at that time. This honors the age-old adage, buy low and sell high. Keep contributing to your employer-sponsored retirement fund (401k, 403b) if you have one. This will allow you to continue to take advantage of the matching funds provided by your employer.

An emergency fund must be part of your long-term plan, but it's useful for short-term needs, too. Emergencies will always happen; it's just difficult to know when, what, or how much the emergency will cost. For example, a flat tire is unexpected and may not set a budget too far off course, but having the money handy will make the experience much less stressful. For emergencies like this, a fund of $1,000 is prudent. On a larger scale, job loss is unexpected and far more stressful. For this type of an emergency, the equivalent of three to six months of expenses is best. Be prepared to replace expenses for food, shelter, and what's needed to remain employable. This includes expenses such as rent, mortgage, car payments and insurance, or some form of transportation to and from interviews or a new job. In today's world, that may also mean having the technology in place for email and video chats. In other words, you do not need the entirety of six months of income — just what you need to get to the next job opportunity.

Part of emergency planning is also paying off any consumer debt, such as credit cards or car loans. Having an emergency fund is debt prevention, and having debt makes it more difficult to save. So, continue to save for an emergency fund even while working to pay down debt. You will be glad, when the next emergency comes, that you have more flexibility with money in the bank and no debt burden.

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