News Release

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Saving for Emergencies

Nobody can predict the future. No one plans to have an emergency, yet most of us are likely, at some point in time, to face unexpected, unplanned expenses. Emergencies are unpredictable, and there's no telling how much expense will be involved.

Getting started with an emergency fund of $500 to $1,000 is a good beginning goal. Saving even $500 can help you better cope with unexpected expenses. The rule of thumb is to set aside enough money to cover your basic living expenses for at least 3 months.

It's important to make saving a habit. Saving a minimum of $10 a week for a year can yield a $520 base for an emergency fund. In two years' time, the balance could exceed $1,000.

There are many places to find money to save. Start with the loose change you accumulate. Use this change to open and grow a savings account.

If you receive an income tax refund this year use a portion of the refund to jumpstart an emergency fund by starting or grow a savings account.

In order to build your emergency fund your first savings goal may need to focus on reducing debt and learning to use credit wisely.

Reduce credit card use, and pay off credit cards as quickly as possible to minimize added interest costs and free up money for savings. Paying off your credit card debt and then redirecting those payments into a savings account can be a good way to begin and/or increase your savings.

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Keep your emergency fund in an easily accessible savings account or money market deposit account. Keeping your money in a savings account makes it less likely that you will use these savings to pay for every day, non-emergency expenses.

Use the money only for true emergencies, such as unexpected medical bills. If you lose your job you may need your emergency fund for food, utilities, mortgage payments or rent and necessary transportation.

An emergency fund not only provides you with the money to pay for these unexpected expenses, it also gives you peace of mind knowing that you can manage financial emergencies. Using the money in your emergency fund is better than taking out a loan or cashing in your investments to pay for an emergency. If you take out a loan, you will have to pay interest. If you cash in an investment, you will lose interest and possibly some of the original investment.

Savings helps to build financial security. Start small but think big. For more saver strategies and saver resources visit www.americasaves.org and www.mymoney.gov.

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