

# Financial Wellness Update



November 2020

*“I’m the Bluebird of Fleeting Happiness. You’ve been pre-approved for another credit card!”*



## How to Save for Emergencies, Big Purchases and Retirement <sup>1</sup>

Back in the day, your grandma saved her money in a coffee can and put it on a shelf in the kitchen—or some variation of that method. It gave her quick access in an emergency, but it was stored away from the regular cash so it wouldn’t get spent on a whim. Nowadays, most people don’t save their money in a coffee can. The sad part is, most Americans aren’t saving at all.

So how do you build up your savings account—and your future? Here’s a quick rundown:

1. Build your emergency fund first.
2. Put away savings before you spend.
3. Plan for big expenses and trips.

### Build Your Emergency Fund First

Before you save money for anything, whether it’s a down payment for a home or a trip to Alaska, you need to get an emergency fund in place. If you still have debt, start by saving \$1,000 as quickly as you can. Then, pay off any outstanding debt. When those two things are taken care of, you can start building your emergency savings.

You need to save at least three to six months of expenses in your emergency fund. Why so much money? Because you need to be prepared in case something happens and you don’t have income for several months. That fund will keep the household running, the mortgage paid, and the lights on.

### Put Away Savings Before You Spend

If you’re serious about winning with money, you have to make saving a priority—not the last thing you do when everything else

is paid for. In order to do that, you need to create a monthly budget that includes a line item for savings. If you don’t prioritize and budget for savings, you’ll never have anything in savings—and that’s not good.

In addition to saving for future expenses, you need to put away money for retirement. Once you’re debt-free except for the mortgage and have that emergency fund in place, you need to put away 15% of your income in an investment account.

### Plan For Big Expenses And Trips

Saving for the future while also living in the present moment is a juggling act. You want to enjoy your life now and save for later.

Let’s say you want to take a trip to Ireland. You’ve done your research and have created a budget of \$3500.

Now, let’s look at your timeline. If you want to take that trip a year from now, you divide that \$3,500 by 12 and put that amount away each month—roughly \$300. If that \$300 would sabotage your regular monthly budget, you have three options: you can trim the trip budget; you can work extra jobs; or you can lengthen the amount of time you’ll save.

What if you want to save for a wedding? Or a motorcycle? Follow the same principles. Estimate your cost and divide that amount up by the number of months you have until the purchase. The process is easy. It’s being patient that’s hard.

<sup>1</sup> Information taken from Chris Hogan | [chrishogan360.com](http://chrishogan360.com)

## Fast Facts

The most common causes of unexpected expense are car trouble, home or appliance repair, and illness. In 2019, three out of five Americans had a major unexpected expense. Of those individuals, 41% used their savings to pay for the expense.



Questions about saving for the future? Contact **Greg Tedone** or **Chris Hoffarth**.

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