



# Extension News Column

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*University of Alaska Fairbanks, Cooperative Extension Service, [www.uaf.edu/ces/](http://www.uaf.edu/ces/)  
[fycit@uaf.edu](mailto:fycit@uaf.edu), 907-474-5211, FAX 907-474-6885*

**Contact:** Debbie Carter, information officer, 907-474-5406, [dscarter@alaska.edu](mailto:dscarter@alaska.edu)

**Author:** Roxie Rodgers Dinstel, Tanana District Extension Faculty, HHFD

“When you have an emergency fund, you cease to have emergencies.” As I was presenting a program last month, one participant offered this little gem of wisdom. It’s true. If you have a little money salted back, when that emergency car repair or home repair comes along, you won’t have to resort to credit cards to cover the balance.

The message of having an emergency fund is the focus of America Saves Week, which will be celebrated from February 21 to 27. It is a time to make the pledge to save more money.

Building wealth starts when you set a goal and make a plan to reach that goal. Whatever goal you choose – whether it’s buying a car, buying a house, or getting out from under your debts –pledge to save money for your financial health.

Having an emergency savings fund may be the most important difference between those who manage to stay afloat and those who are sinking financially. That’s because maintaining emergency savings of \$500 to \$1,000 allows you to easily meet unexpected financial challenges such as car repairs, home repairs, or health care.

The emergency fund not only allows you to cover these expenses, it also gives you the “peace of mind” that you can afford these types of financial emergencies. Not having an emergency savings fund is an important reason that many individuals borrow too much money at high interest rates. For example, with emergency savings, Americans probably would not have to take out \$2 billion a year in payday loans at interest rates that average 300 to 500 percent.

There are many places to find money to save. Start with the loose change that many people accumulate. Americans typically save more than \$100 in loose change each year. Use this change to open and grow a savings account. If you receive a tax refund or Earned Income Tax Credit, use a portion of this money to begin or increase savings. Since the Tax Credits average nearly \$2,000, you may be able to open a savings account and still have plenty of money to pay off debts or cover other expenses.

Try to deposit money saved by cutting back on small, unnecessary expenditures. Taking a lunch from home two days a week can save you almost \$850 in a year. Buy your soda at the grocery store rather than resorting to the vending machines and save \$360 a year. Watch a movie at home rather than going out and save \$800 a year. All these small changes can add to your savings account.

Building an emergency fund may be easier if you involve your whole family in meeting this challenge. After you've explained the importance of emergency savings to your spouse or children, they may even help build the account. And, they will be more likely to understand why it's more important for you to increase these savings than to pay for expensive gifts at birthdays or Christmas.

Another way to accumulate the \$500 to \$1,000 of emergency savings is to ask your bank or credit union to automatically transfer funds from checking to savings monthly. Automatic savings is the easiest savings. What you don't ever see, you may never miss.

Whatever method you use, make the commitment to creating an emergency fund during America Saves Week.