

Emergency Funds

An emergency fund can serve as a personal safety net when unexpected expenses arise. It can offer you peace of mind and keep your financial goals on track (e.g. retirement).



How much cash should I have on hand?

Aim to set aside \$500 to start, then build an amount that can cover four to six months of expenses.



Where do I keep my emergency fund?

Emergency funds should be easy to access, like a savings account, but kept separate from regularly used accounts.

Most retirement accounts (e.g. 401(k), Traditional IRA) are not as easy to access and may create taxes and penalties, making them less than ideal vehicles. However, Roth IRAs may serve as a *secondary or back-up* emergency fund since contributions (not earnings) may be withdrawn without tax or penalty before age 59.5 but values may fluctuate if invested.



How do I start an emergency fund?

1. Review your budget and set a goal—Calculate one month's worth of expenses, then determine how many months to cover. Most experts suggest having 4-6 months of expenses but your needs may vary.
2. Select a process for consistent savings—Automating your savings is an easy method to save consistently but select one that is best for you. For example, have your bank automatically transfer \$25 per month to your savings account.
3. Monitor your progress—Review your savings and if needed, adjust how much is saved. Celebrate your milestones (e.g. \$100, \$500, \$1,000) and keep it going!

Please contact Tao Investments Hawai'i for help

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