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WEALTH MANAGEMENT



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Here's Why You Need an Emergency Fund

Building financial security means sticking to a smart strategy and thinking ahead. Success comes from spending less than you earn, investing wisely and protecting against unforeseen challenges, and to be truly prepared, you should probably have an emergency fund.

Here's how and why an emergency fund could save the day, no matter your situation or income level.

Why an emergency fund?

The point of an emergency fund is to cover unexpected events that could put you into long-term debt. It may be tempting to invest this money, but don't. Your emergency fund should be kept as cash so that when you need it you don't have to waste time selling shares or converting other assets. That said, look for a high-yield savings account that can reward you with a little more interest than a standard savings account.

How much should you save?

First, total up your monthly household expenses. Don't include discretionary spending categories like entertainment or personal shopping. Instead, add up necessities like rent, utilities, gas, groceries and insurance.

Now, take that number and multiply it by 3, 6, or 9 depending on how secure your current income situation is. If you're a salaried employee at a stable company, you might be okay with just three months' worth of essential expenses. However, if you're a freelancer whose income varies quite a bit each month, you're better off aiming for six to nine months' worth of savings.

When should you spend it?

Be disciplined and save your emergency fund for true emergencies, such as a large medical bill or a layoff. It's fine to save for fun things too, like a vacation or a new car, just keep these accounts separate.

Even if you never need to use your emergency fund, knowing you have this safety net available can provide valuable peace of mind.

Thank you for reading our newsletter!



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