

# START EMERGENCY SAVINGS FUND FOR THE RAINY DAYS

An emergency fund will help you cover unexpected expenses such as car repairs. /Monkey Business Images



## ● Fund must have enough money to cover your living expenses for three months

An emergency is like an accident. You never know if you're going to fall or the gate will close before you get through it, damaging your car.

Same with your child needing new school shoes or a scientific calculator. They don't come cheap. It could be something as serious as medical bills.

This is when you need an emergency savings fund, as it provides a safety net for you and your loved ones.

JustMoney operations manager Sarah Nicholson says an emergency fund will help you cover unexpected expenses such as car repairs or even a job loss. "It [fund] should be sufficient to cover three to six months' worth of essential costs."

by **Sibongile Mashaba**

"However, many find it impossible to save money while managing daily expenses. SA's poor savings rate – one of the lowest in the world – can be attributed to the high cost of living, low financial literacy and a culture of relying on credit."

Business Development head at FNB Retail Cash Investments, Ilse Smuts, says because financial emergencies can happen any time, one needs to have a plan.

"Building adequate savings is one of the most effective ways to help you weather the storm and build financial resilience."

"Moreover, this will help you cope with

unexpected circumstances that may have negative repercussions.

"The general rule of thumb in building adequate emergency savings is to ensure you have a list of three to six months of living expenses. While this may seem steep, it is necessary as it will help towards meeting your financial goals," she says.

### QUICK TAKE

#### Emergency savings account tips

The general rule is to have enough in your emergency savings account, says Sarah Nicholson.

This will help you cover three months' worth of living expenses. "Ideally, it would be six months' worth, though this is difficult for many of us. So, for example, if you need R30,000 a month for your needs, then you'd aim to build up R90,000 in your emergency savings account," she says.

"If possible, once you've reached that goal, you could try to build up to R180,000. Once you have built up an emergency savings account, you will channel additional funds into investments towards a retirement annuity to cover your retirement one day."

## Having an emergency savings fund provides financial security, and can reduce stress

Nicholson says when your money is tight, growing a savings fund may feel like a distant dream. "Without savings, an unanticipated

expense can derail your budget and force you into debt. You may have to rely on a credit card or high-interest loan, which can lead to long-term financial strain.

"On the other hand, if your car breaks down and you need R8,000 for urgent repairs, an emergency fund allows you to cover the cost immediately. Similarly, if you lose your job, savings can keep you afloat while you search for new work."

She says having an emergency fund provides financial security, can reduce stress and help you stay in control of your money. "Unexpected setbacks don't turn into financial crises. Building an emergency fund on a tight budget requires discipline and patience, but it is achievable," says Nicholson.

"Starting small, cutting unnecessary expenses, and making saving a habit, can result in substantial growth over time. Creating a savings fund isn't just about having money in the bank. It's about peace of mind, knowing that no matter what life throws your way, you're better prepared to handle it."

Smuts says your emergency fund is largely influenced and dependent on your lifestyle, household income, dependents and expenses. "Therefore, it's never too late to start saving to ensure that you and your dependents are safeguarded against unforeseen financial needs. Also, some financial institutions and retailers offer rewards benefits, take advantage of this and shop around for better deals."

## FactBox

### Nicholson gives tips on how to build an emergency fund:

**Start small:** Be consistent, even if you put away only R50 or R100 per month. Set a realistic goal for your first milestone, such as R1,000, and gradually work towards it.

**Choose the best savings option:** Consider a high-interest savings account or a flexible fixed deposit account that offers competitive interest without tying up your money for too long.

**Automate savings:** Set up a monthly debit order or schedule a transfer to a separate savings account, to be activated when your salary is deposited.

**Cut unnecessary expenses:** Do you have subscriptions you barely use? Are you buying takeaways too often? Redirecting a small portion of these expenses to your emergency fund can make a big difference over time.

**Use windfalls wisely:** Whenever you receive money unexpectedly – such as a bonus, tax refund or birthday cash – consider putting some aside.

**Boost your income:** Consider a side hustle, such as online tutoring, setting up a small business, selling unwanted items or renting out unused space.

**Take advantage of discounts:** Special offers and loyalty programmes can help you save money, which you can allocate to your emergency fund.

**Reduce utility bills:** Cut electricity and water costs by being more mindful of usage.

**Join a savings challenge:** This is a structured, goal-driven way to encourage consistent saving by following a specific plan over a set period. A popular challenge is the no-spend month, where you buy essentials only and redirect the savings into your emergency fund.

**Avoid dipping into savings:** Only use your emergency fund for genuine emergencies. If you're tempted to use it for non-essential purchases, remind yourself of its purpose – to provide financial security in tough times.

**Fine-tune your savings goals:** Once you've reached your first savings milestone, set a new one.



**Sarah Nicholson,**  
**JustMoney operations manager.** /Supplied