Quaker Oats Credit Union

6 Emergency Fund Myths You Should Stop Believing

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Starting an emergency fund can feel like a daunting prospect. On top of saving for retirement and key financial goals - along with covering the daily necessities - putting money away for a rainy day can seem overwhelming. But don't let negative thinking or unfounded myths prevent you from securing your financial future.

Below are 6 common myths you'll encounter on your way to building an emergency fund:

1) I'm too old
You are never too old to start saving money. Whether you've never done it before or you've survived a financial disaster and are starting over, it doesn't matter how old you are to begin saving for contingencies.

2) I'm too young
The problem with this thinking is that bad things do happen to young people. It's rare, but they do get seriously ill. A good job can be lost. A great car can be totaled in an accident. And an emergency fund can make all of these situations easier to get through.

3) I have too much debt
It's easy to feel like you should pay off all your debt before you even think about putting some money away. However, not having an emergency fund often leads to more debt, because you have to put unexpected costs on a credit card or get a loan. The compound effects of

this, over a lifetime, can be financially crippling.

4) I don't make enough money

The truth is the less you make, the more you probably need an emergency fund, because you have less discretionary money available to cover unexpected costs. So start small, but do get started!

5) I can't save enough

Even if you aren't living paycheck to paycheck, it can feel like you'll never have enough in your emergency fund. There is some controversy about how much money an emergency fund should have, but most sources say that it should contain three to six months' worth of living expenses.

6) I have a 401(k)

Some people consider their 401K to be their emergency fund. Sure, there are penalties for taking money out early, but at least it's there, right? There's some truth to this. If you absolutely need to, it's usually better to dip into retirement money rather than take on more debt. But a 401K actually makes an inefficient emergency fund. The penalties on taking money out of a 401K before you're 59 ½ can be steep, so it's better to keep your emergency fund separate from your 401K. Even taking money out of a Roth IRA is a better route.

Source: www.wisebread.com