# Emergencies Drain Savings!

When you get as old as I am, you find that your friends, now older too, are more willing to talk about the financial problems they experienced after having left their jobs and retired. It's important to have some money set aside for emergencies not only when retired but also when working. In the latter case, the most important instance is unexpected loss of a job. That's the time where you'd like to have some money set aside to sustain you until you can find work again.

We can't foresee emergency needs, but a little money (or lots in some cases) can be very helpful. We keep some reserves in both our checking and money market accounts. Emergency funds should not be in stocks as they may be down when needed—or be their own cause for an emergency if they really plummet. Nor should money for emergencies be invested in something that's hard to liquidate like real estate or in an employer's savings plan or IRA which have serious early withdrawal penalties to say nothing of taxes due. You may be able to borrow money at the last minute, but that can be a costly and time consuming thing to do. Besides, money saved for emergencies can be used later in retired life if necessary. As they say, "You don't want to run out of money before you run out of life."

There are a number of our older friends whose adult children got into financial problems and then sought parental support. We know people whose son-in-laws have divorced their daughters leaving the daughters with children and no support. We know of daughters-in-laws who have run from sons and left the sons with children and no wife to care for them. Then there are children who have had such serious health problems that need expensive care. Any of them can be devastating emotionally and financially .

Or how about elderly parents who have run out of money? Perhaps inflation destroyed the value of their fixed pension. Maybe they were hit by large medical expenses and big increases in their health insurance premiums. Or maybe they had to go into assisted care or even more costly a nursing care facility. Elderly parents don't like to turn to their adult children, but are often forced to. Some soften the request for money asking for a "loan" knowing there is little possibility of repayment. Few have the capability to return to work again even part time, especially in their seventies or eighties.

There are much lesser events that happen to almost everyone that drain savings: A car breaks down. A hot water tank or furnace needs replacing. A computer or printer fails. Your dishwasher or refrigerator has seen its last days. You have not had enough withholding for taxes. Your roof leaks and needs replacing. You need serious uninsured dental work. You get a bill for a large community assessment. A water pipe freezes and causes extensive damage. And many other things that all have one thing in common: They require money to fix.

The challenge is to start putting some money aside that is labeled for emergencies. There's no magic number because we don't know what difficulties we will face. But face them we will. No one goes through a life drifting comfortably on nothing but gentle waters. Maybe you can't afford to do much this year, but perhaps you can devote something from a bonus or a raise next year. The key to this is commitment. Many have a goal to set aside at three to six months living expenses. When doing retirement planning, I often suggest setting aside 10% of total savings as an emergency reserve. Recognize that your life will be much better if you can cope with at least some financial problems without going into debt. Debt costs interest. Savings earn interest. And the difference is great!

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8-19-12