

# How to start building a rainy day fund



A rainy day fund allows you to plan for the unexpected things that life may throw at you. Money you set aside to cover large expenses like car fixes, hospital bills, and home repairs, will ensure you're prepared when the time comes. This keeps you from having to borrow and going into debt to keep you afloat.

## Step 1

### Determine how much you need to save

Depending on your financial circumstances, you may be able to put away a good portion of your income each month. A good rule of thumb is to have enough to cover at least three months' worth of living expenses. Once you have that amount saved in your bank account, aim for six months next. If you ever lose your job, you'll have funds to fall back on while you look for a new job.

## Step 2

### Decide where to keep your money

Quick access to an emergency fund is crucial. Checking and savings accounts are good for this purpose because you can access them at any time. You should however, keep your day-to-day account separate from your rainy day fund account, so you're not giving yourself the opportunity to dip into your savings.

## Step 3

### Set up a monthly goal

Now that you have a goal of saving 3 or 6 months worth of income, you can determine how much you want (and are able) to save each month. Breaking the amount into smaller chunks will make the end result seem more achievable. Once you know how much you'd like to save each month, start working towards it.

## Step 4

# Get building on the reserves

## Budget

To make sure you're hitting your monthly savings goal, you need to be aware of how much all your fixed expenses (mortgage, rent, phone bill) and variable expenses (groceries, eating out, entertainment) are costing you. Since you can't really change your fixed expenses, work on budgeting your variable expenses so that you're able to make your monthly savings goal.

$$\text{Variable expenses} = \text{Income} - \text{fixed expenses} - \text{monthly savings goal}$$



If you find that your monthly savings goal is too high and you won't have enough for your variable expenses, then lower it to what is acceptable. Alternatively, if you find that you have a lot of wiggle room in your variable expenses, up your monthly savings goal.

## Automate your savings

Make it easy for you to save using free tools and services available to you. One way to do it is to take one or two Instant Pays a week, and set up automatic transfers within the Instant app to your bank account for a certain amount each week. Say your monthly savings goal is \$200. Create an automatic bank transfer every Friday of the week for \$50 to your savings account.

## Get more income

If time and circumstances allow, consider boosting your income by taking up a side hustle even if it's just until you build up that rainy day fund. You could consider working casual hours for gig jobs, helping your neighbors out with household tasks in exchange for a few bills, or even selling items you don't use online. Once you receive your extra income, put it into your rainy day account right away.