

How much to save, starting small

Easy · 15 min to set up · Free

Set your first goal at the size of a surprise bill you've actually had (a car repair, an uninsured doctor visit, a cracked phone), not an abstract number. Keep it in a separate FDIC-insured savings account, insured up to \$250,000. Feed it automatically every payday plus a share of any tax refund or cash gift. Once you hit the first goal, aim for the FDIC's longer target: at least six months of living expenses. Decide now what counts as an emergency, use it without guilt, then refill it.

YOU'LL NEED

- ☐ A list of surprise expenses you've had in the last year or two, and what each cost
- ☐ A savings account separate from checking
- ☐ Your pay schedule and take-home pay

WHAT TO KNOW

- 1 **Know what it's for.** An emergency fund is cash set aside for unplanned expenses that aren't part of your routine monthly spending: car or home repairs, medical bills, or a loss of income.
- 2 **Size your first goal from your own life.** Think about the most common surprise expenses you've had and what they cost. That's a realistic first target. Write the number down.
- 3 **Set the long-term goal.** The FDIC suggests building toward at least six months of living expenses to get through something like a job loss, a major car repair or medical bills insurance doesn't cover. If your basics cost \$1,800 a month, that's \$10,800. Don't let that number stop you from starting.
- 4 **Open a separate account.** The FDIC suggests keeping emergency savings in a separate FDIC-insured savings account, not checking, so you're less tempted to spend it. FDIC insurance covers at least \$250,000 per depositor, per insured bank, per ownership category, and no depositor has lost a penny of insured funds since 1933.
- 5 **Make it automatic.** Set a recurring transfer from checking to savings, or split your direct deposit so part goes straight to savings. The FDIC calls this paying yourself first, because you save before you're tempted to spend. Details are in Automating your savings.
- 6 **Add one-time money.** A tax refund is one of the biggest checks many people get all year. Saving all or part of it, or a birthday or holiday cash gift, can build the fund fast.
- 7 **Watch it grow.** Turn on balance alerts or keep a running total. When you reach a goal, celebrate, then set the next one.

Watch out Decide ahead of time what counts as an emergency, and stay consistent. A sale is not an emergency. A tow truck, a medical bill insurance didn't cover, or a gap between jobs is.

DAD NOTE Pay the you of next month first. He's the one who gets the flat tire.

Full lesson: aptkeys.com/money/emergency-fund/how-much-to-save-starting-small/

Checked October 2, 2026. Sources: Consumer Financial Protection Bureau; Federal Deposit Insurance Corporation.