

# Are You Prepared for a Rainy Day?

Your IRA or other qualified retirement account is a useful vehicle for building long-term retirement savings. But what about those rainy day emergencies that crop up from time to time – like medical bills, car repairs, reduced hours or even job loss? It's a good idea to have separate savings set aside so you don't have to dip into your retirement account (and be penalized) when emergencies happen.

If unexpected expenses would be hard for you to cover, you're not alone:

- A January 2019 [survey by Bankrate Financial Security Index](#) found that six in 10 respondents could not easily pay a \$1,000 unexpected expense.
- Unfortunately, of those who faced a financial emergency last year, nearly eight out of 10 reported the expense was greater than \$1,000; in fact, for three in 10, it was \$5,000 or more.



So, what to do? In addition to building your retirement savings, it's a good idea to build up an emergency fund, as well. Many experts suggest that your emergency fund should be able to cover your family's bare-bones expenses like housing, food and transportation for three to six months.

Don't stress if you don't have close to this amount saved up – you don't have to have it all at once. You can start small and save regularly, just like you may do with your retirement fund. Some employers are even starting to offer emergency savings accounts that can be deducted directly from your paycheck. That way, you can transfer small amounts of money into every paycheck.

## Rainy Day Emergencies could include:

- Medical bills
- Home repairs
- Car repairs
- Job loss
- Reduced hours
- Unexpected travel
- Appliance replacement
- Large veterinary expenses

Even if it's just a small amount, it will add up over time. If you put aside, say, \$40 from your paycheck twice a month, at the end of a year, you'd have around \$1,000 saved up. Payroll deduction is the easiest way to be disciplined about building an emergency fund without having to actively think about it. Just be sure this money is in an account where you can access it easily without paying a penalty.

Having a well-funded emergency account can give you peace of mind: if that "rainy day" comes, you know you're prepared to handle it. And, reducing stress about the short term can allow you to focus on the long term.

To learn more about what's right for you and your savings goals, visit our Financial Calculators at:

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