

# PREPARE FOR LIFE

Winter 2020

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## DO YOU HAVE AN EMERGENCY FUND?

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When COVID-19 first impacted Australia and the country went into lockdown, one of the first casualties were our jobs.

Many businesses simply closed down overnight with employees retrenched, stood down, or simply told not to bother showing up for work. For others, working hours were reduced with their wages following suit.

The news from that period featured stories of endless streams of people lined up outside their local Centrelink office, waiting to apply for the JobSeeker Payment.

I vividly remember the news reporters interviewing those who had lined up, with many admitting that they only had minimal savings in the bank and needed a Centrelink benefit in order to survive.

Then we saw an explosion of Australians lining up at food banks and charities to get access to basic food items.

And these were not young people that might have been studying and only working part-time – these were adults.

What are the steps we must take to ensure we are never faced with having to line up outside Centrelink on the day we lose our job?

### IF YOU NEED TO PUT A PLAN IN PLACE, HERE ARE 6 THINGS TO CONSIDER:

**1.** Decide how much you need in your emergency account. What are the basic expenses you need to cover for short period? Is it \$1,000, \$2,000 or more?

**2.** Once you've set what your emergency fund should be, open a separate bank account – make it difficult for you to access when it's not really an 'emergency' situation.

**3.** Arrange an automatic transfer from your pay to fund your emergency account. Set a date to reach your emergency fund minimum. By then you should be in a routine and not miss the funds coming out of your pay.

**4.** If you are having trouble finding the extra funds to build up your emergency fund, consider selling

some of your unwanted items. Become friends with eBay, Gumtree or Marketplace,

**5.** Use your tax refund to kick-start your emergency fund.

**6.** Remain focussed and committed – don't be tempted to dip into the fund unless it's really necessary.

Back in May 2016, Finder released the results of a survey<sup>1</sup> they conducted into the amount of savings Australians had to cover emergency expenses.

While it is comforting to note that just under half of those surveyed had savings of \$5,000 or more that could be accessed in an emergency, 30% had less than \$1,000 and 12% had less than \$100.

Somehow, I don't think the numbers have changed much since 2016.

Emergencies come in all shapes and sizes, ranging from urgent dental work, medical expenses not covered by Medicare, car repairs, home repairs (like a mid-winter replacement of the hot water system or getting a plumber to fix a blocked toilet), having to book flights and accommodation to visit a critically ill family member, or meeting living expenses in the event of job loss or a reduction in working hours.

With the COVID-19 pandemic freshly imprinted in our minds, now is the time for each of us to be learning from the current situation.



<sup>1</sup><https://www.finder.com.au/press-release-may-2016-rainy-day-savings>