E | Emergency Fund

An emergency fund is money set aside for unexpected situations. Life is unpredictable. Medical bills, job loss, urgent repairs, or family emergencies can happen at any time. An emergency fund helps you handle these moments without depending on loans or high interest borrowing. It gives you breathing room when life becomes difficult.

A good target is to save three to six months of your living expenses in an account you can access easily. This fund provides peace of mind and stronger financial stability for when you don't have a source of income or need to pay for an emergency. Think of it as your personal bailout money, that stays quiet in the background until you need it.

Example

If your monthly living expenses cost ₦200,000, a reasonable emergency fund would range between ₦600,000 and ₦1.2 million.

- **₦600,000** = three months of expenses
- **₦1.2 million** = six months of expenses

At the lower end, ₦600,000 may cover you for about three months if your income stops or an urgent need arises. At the higher end, ₦1.2 million offers stronger protection and more time to recover. This is especially useful if your income is irregular or if setbacks may take longer to resolve.

The goal is not to build it overnight but to build it steadily. Small monthly contributions can grow into meaningful protection as it builds.

Common Mistake

A common mistake is avoiding an emergency fund because you feel your income is too small. That leaves you exposed when unexpected expenses appear.

Another mistake is treating the fund like regular savings and dipping into it for non-urgent spending. Doing that weakens the protection it was meant to provide.

Investing before building an emergency fund can also create pressure. When a crisis comes, you may be forced to sell investments early or take on debt. It is wiser to build your emergency cushion first.

Action Steps

Start building your emergency fund now:

1. Calculate at least three months of your essential living expenses.
2. Set that....

…You've just read a preview of **the chapter, Emergency Fund.**

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