



Strasburg Coaching

Lesson 4: **Emergency Fund**

In this lesson, we will cover.



1. Core Concept

What is an Emergency Fund?

Why is it important?

Where to keep it?

2. Practical Examples

How much do I need?

3. How to think

Using the Model to change the narrative of your past financial habits to create a new result

1 Core Concept

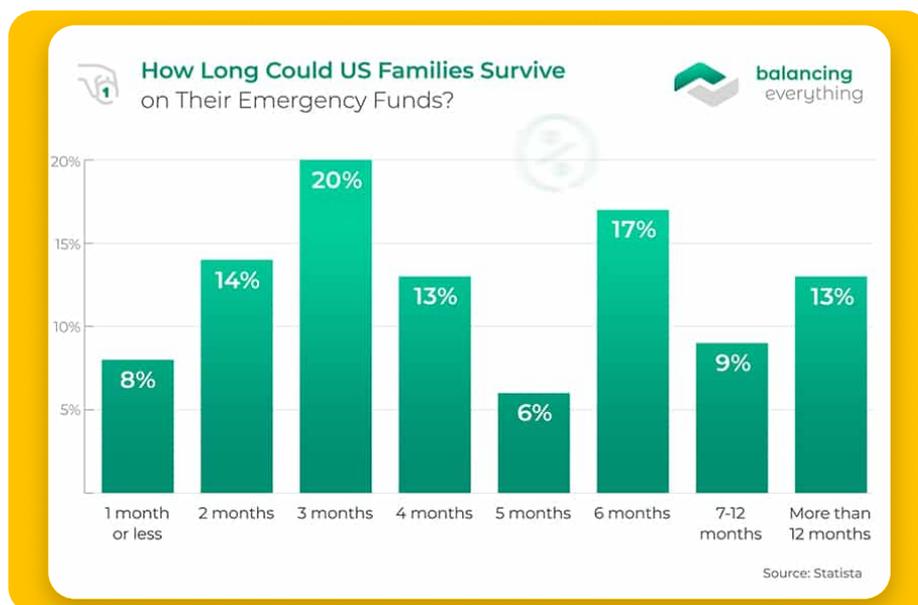


Emergency Fund



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- ▶ An emergency fund is money you've set aside for life's unexpected events (rainy-day fund)
 - ▶ It is used to cover bare minimum expenses if/when a big emergency occurs (not to keep your lifestyle)
 - ▶ Emergencies: Car accidents, hospital visits, or could be a cracked tooth
 - ▶ Keep it on a separate savings account/ money market account at a different bank

Savings Today...



- ▶ Nearly **70%** of Americans have **less than \$1,000** saved in their bank accounts.
- ▶ Those with savings between **\$1,000 and \$5,000** stands at roughly **12%**.
- ▶ **Seven** out of 10 Americans live paycheck to paycheck.

Dave Ramsey's Baby Steps

- ▶ If you are following the Baby Steps, once you have paid off your debt (BS2), you will build up your **emergency fund** (BS3)

- ▶ **3 - 6 Months** depending on your job
 - 3 months - more stable job
 - 6 months - one-income family, self-employed or straight commission
- ▶ Having an emergency fund turns a **crisis into an inconvenience**
- ▶ It is all about feeling **prepared** to take care of your household.



“Your emergency fund account is not for building wealth. It’s an insurance policy against rainy days! Never rationalize the use of your emergency fund for something you should save for.”

-Dave Ramsey



What to do if your Emergency is **Bigger** than Your Emergency Fund

1. Pay only minimum payments on debt.
2. Call and negotiate.
3. Shop around.
4. Make extra money as fast as possible!



Re-build your Emergency Fund Again

Once the emergency has passed, rebuild your emergency fund as soon as possible.

At some point, there will be another emergency and you will be prepared to face it.



Peace of Mind

An emergency fund is more than just a financial buffer through hard times—it also gives you peace of mind!

2 Practical Examples



Dave Ramsey's Baby Steps

- ▶ Starter Emergency Fund (\$1,000 BS1)
- ▶ No Consumer Debt (BS2)

Dave Ramsey's
7 BABY STEPS

- STEP 1: **SAVE \$1,000**
in a beginner emergency fund.
- STEP 2: **PAY OFF ALL DEBT**
except for the house.
- STEP 3: **SAVE 3-6 MONTHS**
of expenses for emergencies.
- STEP 4: **INVEST 15%**
of your income for retirement.
- STEP 5: **SAVE FOR COLLEGE**
for your children.
- STEP 6: **PAY OFF HOUSE**
- STEP 7: **BUILD WEALTH & GIVE**

- ▶ **3 - 6 Months** depending on your job

3 months - more stable job

6 months - one-income family, self-employed
or straight commission

Example 1

1- Income family:

An Accountant - \$53,000 annually



Example 2

2-Income family:

A Cop and A Teacher \$150,000 annually



Example 3

Irregular Income:

Real Estate Agent - \$86,000
annually



3 How to Think



“If you wish to get rich, save what you get. A fool can earn money; but it takes a wise man to save and dispose of it to his own advantage.”

Brigham Young

Belief Matters



Calculating how much you need in your emergency fund is important, but your mindset will determine your result.

When you believe you can do it, you will be able to take the actions that lead to success.

What do you believe is possible?

Unproductive thoughts

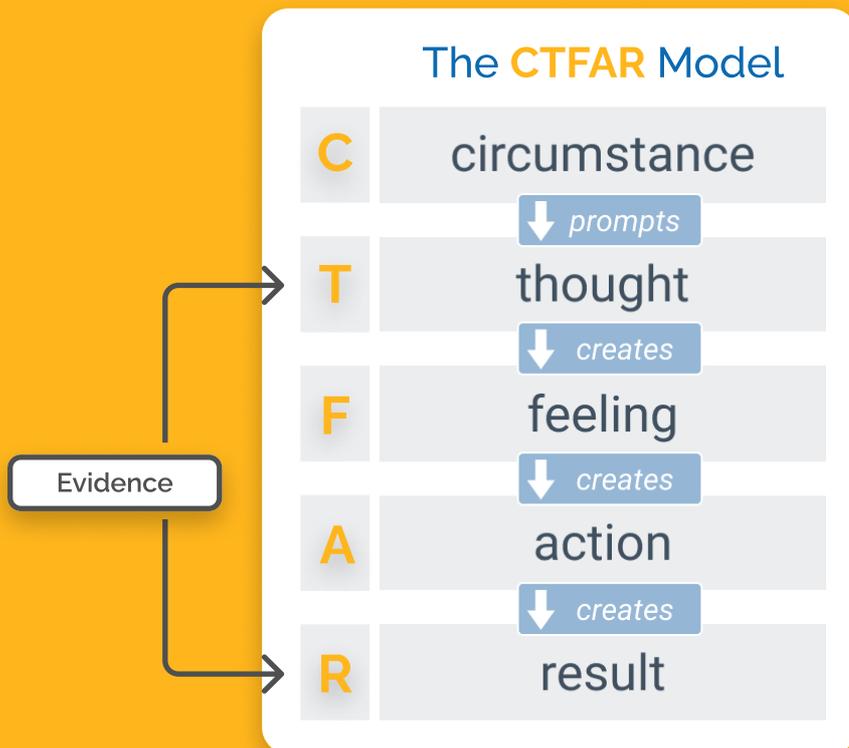


Our thoughts create our reality. What you have now is the result of your past thoughts. Let's make peace with the past and focus on the future.

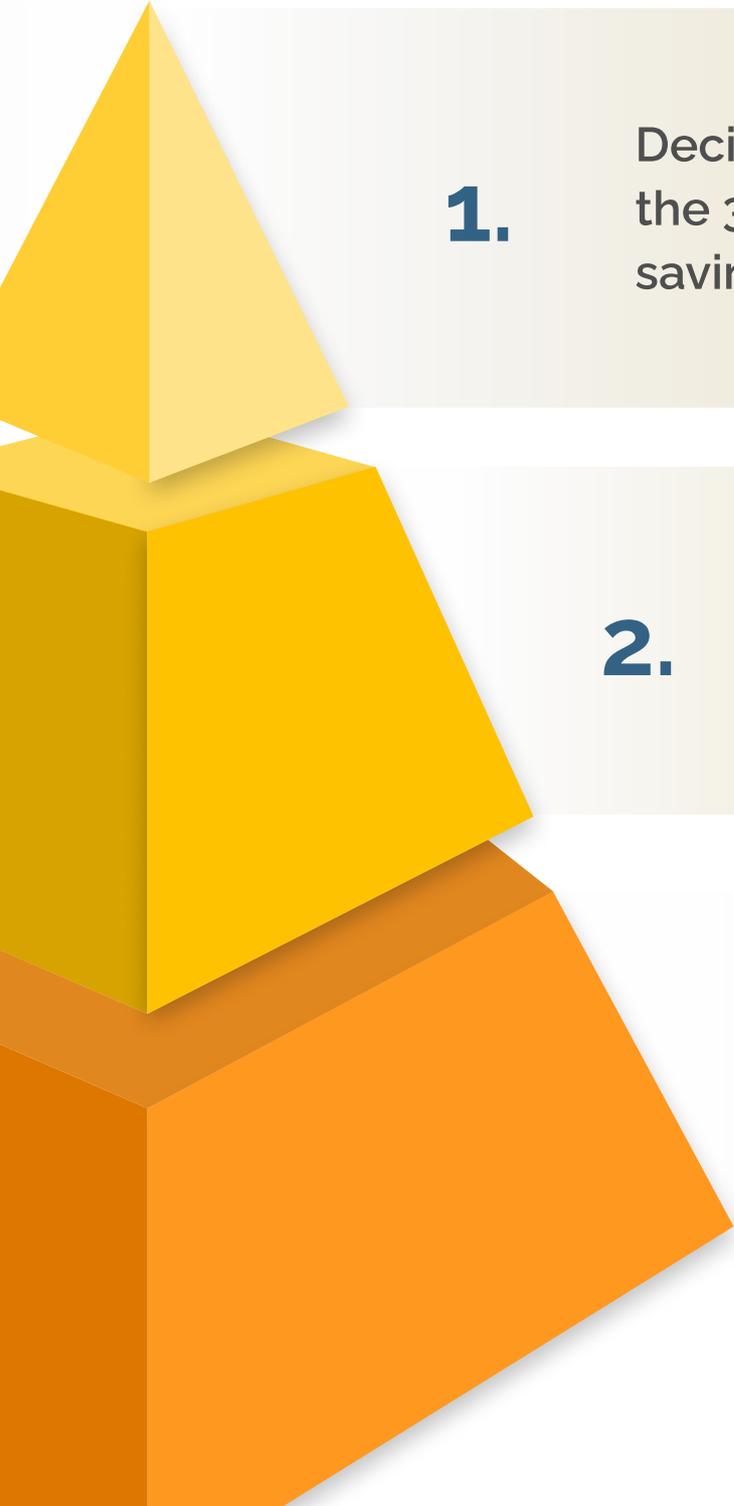
- ▶ There is no money left to save.
- ▶ I will catch up next month.
- ▶ I work so hard. I deserve this car/vacation/etc.
- ▶ It is not fair that he gets to spend and I don't.
- ▶ It is his/her fault that we can't save.
- ▶ I wish I had an emergency fund.
- ▶ I don't know where to start.

The CFTAR Model?

The CTFAR model helps you analyze how your thoughts about a circumstance affect your emotions, actions, and finally the results you are experiencing.



Key Takeaways



1.

Decide where your needs fall within the 3-6 months Emergency Fund savings recommendations

2.

Calculate how much that is and save

3.

Use the Model to change the narrative of your past financial habits to create a new result.



Congratulations!

You have finished the fourth Lesson:
Emergency Fund

If you really want to transform your money mindset and your life, try my membership group for free for 2-weeks or schedule a free one-on-one consultation.

Go to StrasburgCoaching.com



7 Baby Steps

Baby Step 1

Put \$1,000 in a beginner's emergency fund.

Baby Step 2

Pay off all debt using the debt snowball.

Baby Step 3

Put 3-6 months of expenses into savings as a full emergency fund.

Baby Step 4

Invest 15% of your household income into Roth IRAs and tax-favored retirement plans.

Baby Step 5

Save for your children's college.

Baby Step 6

Pay off your home loan early.

Baby Step 7

Build wealth and give.



\$1,000 Emergency Fund



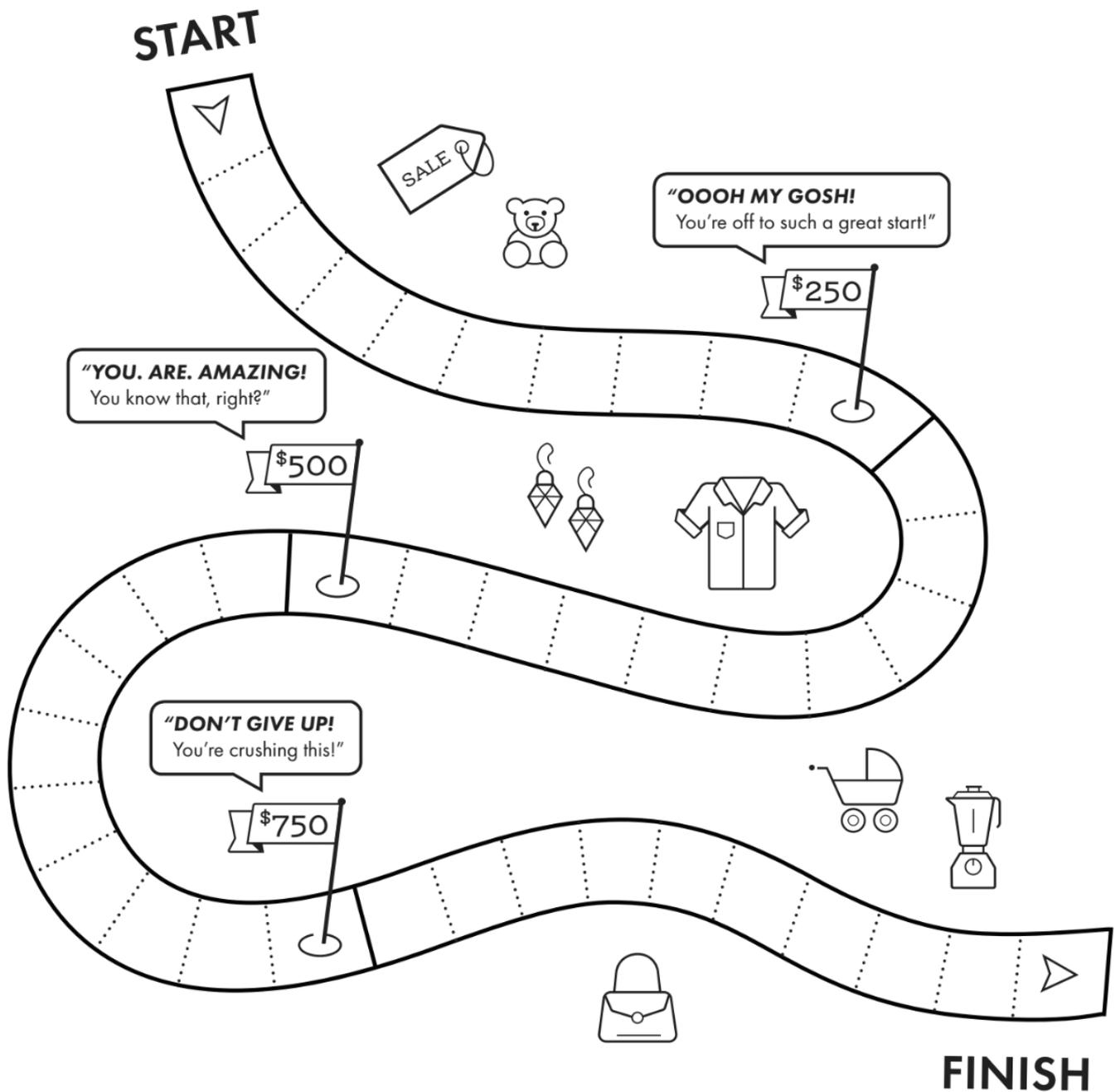
How it Works:

Each block represents \$25. As you save, color them in and keep track of your progress!

Want a Boost?

Sell unwanted or unused items to help you reach your goal faster!

Color in the items along the path that you've sold or draw your own!



3-6 Month Emergency Fund



How it Works:

1. In Box A, write down how much money you need to cover necessary expenses for one month.
2. Divide the amount in Box A by 10 and put that number in Box B.
3. Each row in the jars represents the amount in Box B. Color in the rows as you save!

Box A

÷ 10 =

Box B



Total Savings:

Thought Download



Spend 5 - 10 minutes writing down all the thoughts in your head. Do not judge, edit, or censor them.

Keep writing until you feel that you wrote them all down.

Topic:

A large rectangular area with a yellow border and horizontal grey lines, intended for writing the topic and thoughts.

Model Practice

Unintentional Model

A vertical rectangular area with a yellow border and horizontal grey lines. The letters **C**, **T**, **F**, **A**, and **R** are printed in blue on the left side of the lines, corresponding to the CRAFT acronym.

Intentional Model

A vertical rectangular area with a yellow border and horizontal grey lines. The letters **C**, **T**, **F**, **A**, and **R** are printed in blue on the left side of the lines, corresponding to the CRAFT acronym.