

Emergency Fund

Extension Activity for *Using Money Wisely* Presentation

Age Level:

- 17-25

Learning Objective:

This extension activity, along with the *Using Money Wisely* presentation should help students:

- define and understand the importance of an emergency fund
- identify how much money they need to keep in their emergency fund
- identify strategies for finding money to put in their emergency fund

Materials Needed:

- whiteboard
- whiteboard marker
- *Emergency Fund* worksheet (1 per student)
- pencils (1 per student)

Prior to completing this activity, each student will need to determine the amount of money they spend per month on the following: groceries, utilities (heat, water, electricity, cell phone, internet), rent, minimum debt repayments and any other necessary expenses.

Lesson Plan:

1. Ask students the following question: what is an emergency fund? Allow students to share their responses aloud and write correct responses on the whiteboard
2. Share with students the following definition of an emergency fund:
emergency fund: money saved for a financial emergency such as a job loss or an illness
3. Share with students some slang words can be found in the dictionary but they are not part of the formal English language
4. Remind students it is important to understand the true meaning of a financial emergency. Wanting new clothes or video games is not a financial emergency. Money in an emergency fund is not intended to be used to achieve financial goals such as buying a car or house. Sometimes people have difficulty deciding what is a true financial emergency. A good way to determine if something is a financial emergency, and if money from an emergency fund should be used, it to ask the following questions:
 - is it unexpected?
 - money in an emergency fund is not intended to be used for re-occurring expenses, such as car maintenance or holiday spending

- is it a need?
 - People sometimes get confused about the difference between needs and wants. Needs are required for survival or the completion of daily activities. Wants are items people don't need but they make life more fun. Money in an emergency fund should only be used for things you need
- 5. Ask students the following question: why is an emergency fund important? Allow students to share their responses aloud and write correct responses on the whiteboard
- 6. Ask students the following question: how much money should be in an emergency fund? Allow students to share their responses aloud
- 7. Share with students one of their first savings goals should be to develop a mini emergency fund. Money in a mini emergency fund can be used to cover an unexpected expense such as an unexpected car repair. A general rule is to have at least \$1,000 in a mini emergency fund. Once a person has established a mini emergency fund, the next step is to create a full emergency fund that contains enough money to cover three months worth of basic living expenses. Basic living expenses include: housing (rent/mortgage payments), groceries, utilities (heat, water, electricity, phone) and transportation. Basic living expenses also include minimum payments on all debts to avoid additional interest payments and penalties. Some people may have additional basic living expenses such as health care costs
- 8. Ask students the following question: where can people find money to put into an emergency fund? Allow students to share their responses aloud
- 9. Share with students the following tips for finding money to build their emergency fund:
 - earn more money: work extra hours if you can, or find a part-time job and put extra money into your emergency fund
 - spend less money: look at your current expenses and find things you can do without. Put the money you save into your emergency fund
 - save windfall income: windfall income is unexpected money. This may include: inheritances, bonuses, or monetary gifts. Any windfall income can be put in your emergency fund
 - sell items you no longer need: items you no longer need can be sold online or in consignment stores
 - automate your savings: arrange for a portion of your income to be automatically transferred into your emergency fund account before you have a chance to spend it
- 10. Distribute the *Emergency Fund Worksheet* and pencils to students

Emergency Fund Worksheet

Instructions:

1. Determine how much money you spend each month on the expenses listed in the left column. Record these numbers on the line to the right of the expense. If any of the categories do not apply to you, leave them blank
2. Multiply the monthly expenses by three for 3-months worth of expenses. Record this amount in the far-right column
3. Add the values in the far-right column to get your 3-month emergency fund
4. Answer the questions that follow

My Emergency Fund

Grocery expenses for 1 month	_____	x 3 months =	\$ _____
Utilities			
heat	_____	x 3 months =	\$ _____
water	_____	x 3 months =	\$ _____
electricity	_____	x 3 months =	\$ _____
internet	_____	x 3 months =	\$ _____
cell phone	_____	x 3 months =	\$ _____
Rent for 1 month	_____	x 3 months =	\$ _____
Transportation			
bus pass for 1 month	_____	x 3 months =	\$ _____
gasoline for 1 month	_____	x 3 months =	\$ _____
vehicle insurance	_____	x 3 months =	\$ _____
Minimum debt payments	_____	x 3 months =	\$ _____
Other _____ for 1 month	_____	x 3 months =	\$ _____
My 3-month emergency fund amount will be			\$ _____



1. Do you currently have an emergency fund?
2. Why is an emergency fund important?
3. Where can you find money to put into your emergency fund?