

case study 1: creating an emergency fund.

Emergency fund

Your situation

You recently borrowed £200 to cover an unexpected vet bill, you'd now like to create a savings buffer to cover future unexpected expenses.

Let's explore some ideas when planning an emergency fund.



Emergency funds

It's a good idea to have an emergency fund equal to at least three times your monthly income or three times your monthly outgoings.

Think about how much money you'd need if you didn't have your regular income, take into account any insurance or protection policies that you may have set up yourself or that you receive through M&S.



Create a savings plan

Once you've decided on your emergency fund target, create a savings plan to help you put money aside regularly to achieve this.

Review your outgoings to calculate what you can afford to save and how long until you reach your target.



Choose a savings account

Choose an account to save your money where it can be accessed easily and isn't exposed to investment risk. Saving it somewhere different to your current account can help you avoid dipping in to it unnecessarily.

You may consider an instant access savings account with a bank or building society. Getting a debit or cash card and telephone banking can help you access your money quickly at short notice if needed.

Next steps: [Click here](#) to visit the Money Advice Service to help you with these 3 steps.

Example solution

Having reviewed your circumstance, you decide you need £1,000 a month to cover essential outgoings, so your target emergency fund is £3,000. You can afford to save £100 a month from your salary. It will take 2 years and 6 months to save £3,000 (excluding any interest earned). You decide to open a savings account to sit alongside your current account, this gives you access to your money without exposure to investment risk.

Your emergency fund now provides you with security, safe in the knowledge that should you be unable to work your monthly costs are covered in the short term. It also means you are unlikely to need to borrow money for unexpected expenses or changes in circumstances. You may also want to consider an insurance policy in the event of an accident, injury or sickness.

There are a large number of ways to insure your income or outgoings. [Click here](#) to learn more by visiting the Money Advice Service.



Always remember

Emergency savings should only be used to help you meet your essential outgoings. You may want to think about paying off any existing debt before creating an emergency fund. [Click here](#) to learn more by visiting the Money Advice Service

The information in this document is not intended to be used for financial planning and does not constitute personal advice.

M&S

EST. 1884

WEALTH at work

KNOWLEDGE | EXPERIENCE | OPPORTUNITY