



### **R<sup>+</sup>**

Good financial habits:  
Save for unexpected expenses

## Introduction

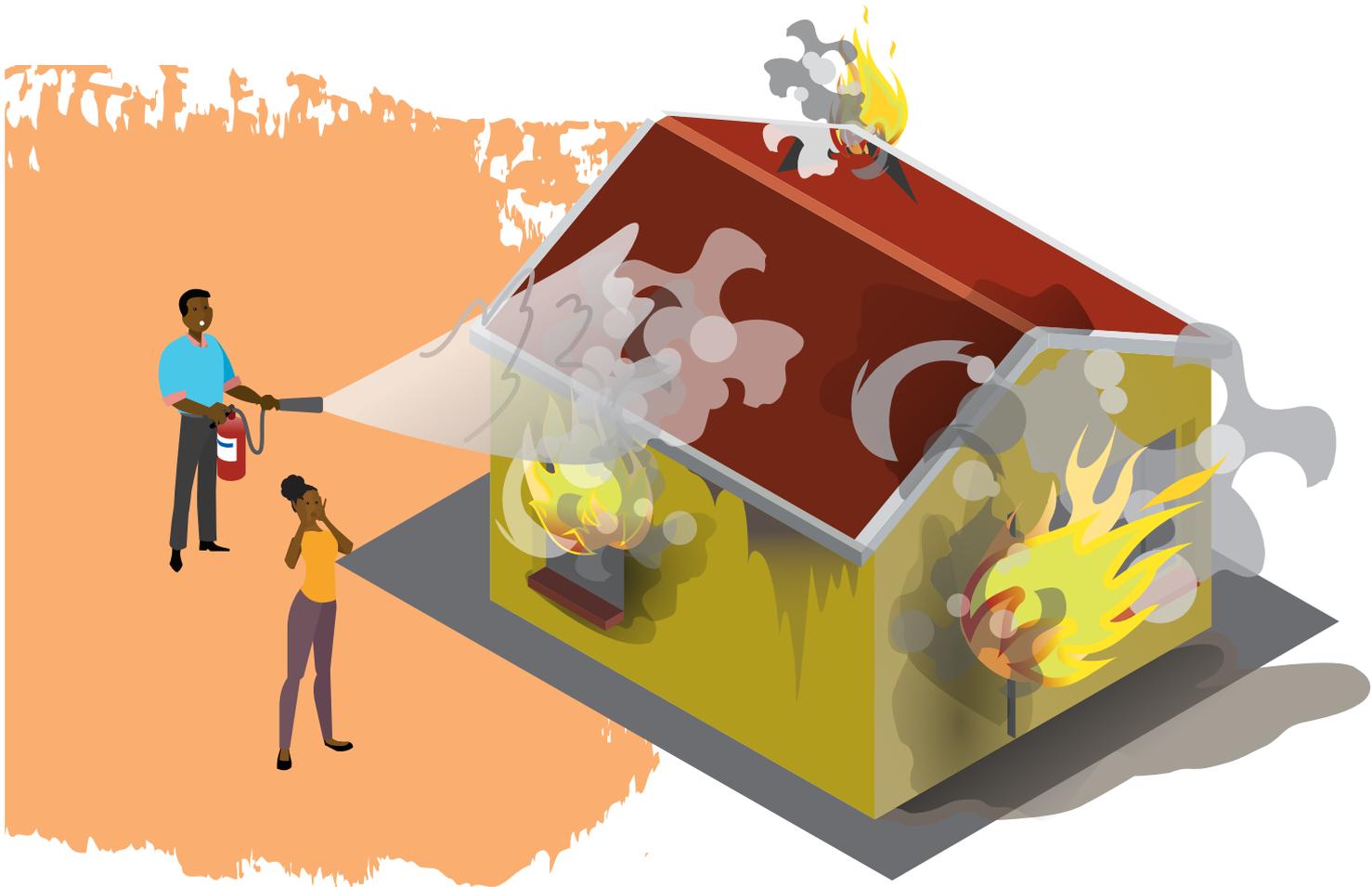
Have you ever heard the expression, 'save for a raining day'?

Examples of rainy day expenses are

- Car service
- Fridge repairs
- Water leak

Having an emergency fund is not a nice-to-have – it is an absolute must-have. It is recommended that you keep a cash reserve that is big enough to cover three to six months' worth of household expenses.

While an emergency fund is a great idea, it is quite difficult to achieve. Why do you need so much? In our uncertain economy, unemployment can happen unexpectedly. Likewise, emergencies like sudden illness or disability, car or house repairs can be expensive.





## More about

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### 1. Save for unexpected expenses

#### 1.1 Planning for financial emergencies

Save for emergencies in the same way you would any other financial goal. Put together a plan and then put it into action.

- Complete your budget.
- Once you know your total expenses for each month, multiply that number by three. Reaching that number will be your first goal. To achieve your three-month target, you need to start saving money. Treat this saving like one of your expenses under fixed costs on your budget.
- Decide how long you are going to give yourself to save your emergency fund and divide your total saving over the number of months required.
- You need R5 000 a month to cover your total expenses
- Multiply this by 3 or 6 months (= R15 000 or R30 000)
- Let's say that you have given yourself 2 years to save towards your fund
- Divide the total amount that you need to save by 24 months (= R625 or R1 250) to see how much you will need to save per month to achieve your goal.

In order to achieve your goal as quickly as possible, you may need to make some sacrifices.

- Do you really need that second cell phone?
- Do you need to eat out twice a month, when once a month will do?
- Do you need to spend your bonus on a holiday or would it be better invested in your emergency fund?

#### 1.2 Put money aside for unplanned or unexpected expenses

Every year thousands of parents are faced with the pressure of school fees, uniforms and stationery costs. If you have family members born in January or just after the holiday period you need to find money for gifts.

For the most part, you can plan ahead for these unplanned or unexpected expenses.

Write down all the expenses that you might have throughout the year that do not happen on a monthly basis. Below are some examples:

- Car service
- TV license renewal
- Holiday or going home – once a year (This can create an expectation from the family that you are working in the city so you will bring home things like money, clothes or groceries.)
- Christmas – once a year
- Birthdays, Anniversaries, weddings, etc. – several times throughout the year
- Car registration – once a year
- School supplies – once or twice a year
- Tires – maybe once a year
- Major car repairs – maybe once a year you need a windscreen replacement or to replace a flat tire
- Strikes, this means you have to take taxis, which is more expensive and can impact your budget badly
- Dentist (root canal or major work)



## More about

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- School (college) – 2 or 3 times a year
- Pest control – 2 or 4 times a year
- Household repairs/maintenance – varies
- Activities for child – varies (excursion)
- Death of a family member
- Sending money to your granny, sibling etc.

Tips to help remember the unplanned or unexpected expenses:

- Another tip can be to set reminders on your cell phone for these planned expenses throughout the year.
- To do a yearly forecast budget where you include these items into your budget.