

## Financial Disasters Big and Small

The Motley Fool

By Selena Maranjian



Here we go again—it's time for the same old financial advice: Create and fill an emergency fund for yourself! You never know when disaster will strike. You may find yourself with expensive health issues or a sudden job loss. Sock away about three to six months' worth of living expenses, and invest that money not in the stock market, which can swoon without notice, but in safer, less volatile options like CDs and money market accounts.

You've heard it all before, right? And perhaps you've dismissed it, too. Maybe you're simply very secure in your job. You see close to no chance of unemployment. Maybe you have excellent health insurance, and you see no chance of any massive medical expenses. Well, I'm here to share some examples of other financial disasters that might strike you. I ran across them on our [Credit Cards and Consumer Debt](#) board.

[Several instances](#) where she used her emergency fund, including a horrifying story about her apartment burning down. She also told stories about losing her job... twice. Each time, her emergency fund helped her make it through the tough times. Kaudrey offered an example that will ring true for many: "My cat needed eye surgery for \$800. Same cat had a slight heart murmur that the vet wanted to check out, before the eye surgery - EKG or whatever they did - \$300. SECOND eye surgery 2 years later - \$600. (Please don't get into a discussion of the expense of this cat. He is my baby, and I love him, and I can afford it, and would spend the same on his brother if he needed it)." [Permit me to point out here that some employers offer [pet health insurance](#) to employees, and that it *might* be worthwhile to buy some on your own, if need be.] Maracle offered three examples: "1) one of my engine mounts broke, causing a loud noise when I turned left. My car had been getting quite rattly over a period of a few years and the mechanic recommended replacing all the mounts, which cost about \$750. 2) I tore 2 ligaments in my thumb skiing, which required surgery. Despite having excellent insurance from a large company it still costs about \$950 after all the coinsurance, doctor's office copays, deductibles, prescription copays, etc. 3) I had an unexpected tax bill of \$1300 this year, usually I get a refund."

### Sleep better

I hope that the examples above have driven home the point that you never know what financial disaster might be around the corner. Some people may not need an emergency plan, if they have outside resources they know they can tap. But most of us would do well to have some money socked away and accessible.

Whether you have unexpected bills from your doctor or veterinarian, year-end taxes, or an insurance deductible payment, an emergency fund can mean the difference between getting into a debt problem and making it through unscathed.

Our [Savings Center](#) has helpful ideas on how best to invest your emergency fund. For instance, currently, **E\*Trade** (Nasdaq: ETFC) Bank, for example, is offering three-month CDs with annual percentage yields (APYs) around 5%. **ING** (NYSE: ING) is offering six-month CDs with APYs around 5.15%, while **Capital One** (NYSE: COF) Bank is offering about 5%. **HSBC** (NYSE: HBC) Bank and **Citigroup** 's (NYSE: C) Citibank Direct are offering money market funds with APYs around 5%, while **MetLife** (NYSE: MET) Bank is offering 4.4%.

### **After the emergency fund**

Once you've got your emergency fund set up, and assuming you've paid off any high-interest debt, make sure you're investing for your future.

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*Longtime Fool contributor [Selena Maranjian](#) does not own shares of any companies mentioned in this article. Try any one of our [investing services](#) free for 30 days. The Motley Fool is [Fools writing for Fools](#).*

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