



The journey of financial fitness is not a sprint, but rather a well-paced marathon. By taking a series of small steps consistently, you will begin to see your finances taking shape.

In pursuing financial fitness, the importance of an emergency fund cannot be overstated, as this is what will help you create stability in your finances and keep you on track to reach your goals. Gontse Tsatsi, Head of Retail Distribution at Old Mutual Investment Group, shares five questions to ask yourself about your financial emergency preparedness.

### QUESTION 1

If you were to face a financial emergency tomorrow, would you have the money, or would you need to get it elsewhere?

## STEP 01



An emergency fund is money that you set aside for a rainy day, an unexpected expense, or an emergency.

### QUESTION 2

Think of a time when you encountered a financial emergency. What did you learn from this experience?

## STEP 02



An emergency fund helps you stick to your money goals by making sure you never have to dip into your investments (like your RA or your home loan) to deal with financial emergencies.

### QUESTION 3

How much money do I need to maintain my monthly expenses?

## STEP 03



Your emergency fund should be enough to cover at least 3-6 months of your most essential living costs. Go through your budget and identify what you can cut down on to free up money towards your emergency fund.

### QUESTION 4

What are the types of emergencies for which I can use my emergency fund?

## STEP 04



Think about what qualifies, and what doesn't (a new pair of shoes is not an emergency!). An emergency fund can be used for unexpected expenses, such as medical costs or loss of income.

### QUESTION 5

What is the most secure investment vehicle for my money?

## STEP 05



When setting up your emergency fund, the main thing is to ensure liquidity. In other words, your fund should be kept in an investment vehicle which you can access easily when you need it. Look for a low-risk, short-term unit trust as this will ensure liquidity (immediate access) while growing your money.