Start an emergency fund

Do you have money saved for a rainy day? If you haven't, you're not alone.

Most financial advisors recommend keeping anywhere from three to nine months' worth of expenses in an "emergency fund" to cover expenses from unexpected events (e.g. temporary job loss or illness). It's difficult for many of us to put aside nine months of expenses, but aiming for at least three is a good start.

For a more accurate calculation of how much you should set aside, multiply your monthly expenses by the number of months you want to plan for. It's important to be honest when making these calculations. In the event of lost income, you could cut back on spending for a while, but you can't reduce fixed expenses such as rent, bills or mortgage payments.

WHEN CONSIDERING WHERE TO STORE YOUR EMERGENCY FUND, CONSIDER THESE FOUR FEATURES:

- easy access,
- minimum account balance requirements,
- security, and
- reasonable interest.

Look for a secure, short-term account or investment that lets you reclaim your cash when you need it, without penalty.

A high-interest deposit account is a better choice than a low-interest bank account. A high-interest deposit account lets you earn interest on money you have set aside for a rainy day. You can even make arrangements for regular deposits to be transferred directly to your emergency fund. You probably won't miss small amounts from each pay and you may be surprised at how quickly you can build emergency savings.

Having an emergency fund also means you won't have to dip into your retirement savings in a pinch, allowing your savings to grow

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