



As we are now in to day 26 of the government shutdown, the 800,000 federal employees and contractors being used as political pawns go without their first paycheck. This whole ordeal, while unfortunate, is a great reminder of what can happen to any of us: missing a paycheck:

Luckily many financial institutions have stepped up to the plate and done the right thing for the furloughed employees to modify loan agreements, waive late penalties and overdraft charges, but some may not be so forgiving.

What happens if you find yourself in this scenario? If you miss a paycheck, would life go on as you know it? The numbers say that for most, it's doubtful. The Federal Reserve Board issued a report on the Economic Well-Being of U.S. Households last May and although most households are better off than they were a year ago, missing a paycheck could still make many cry or cringe. According to the study, only 4 out of 10 could meet a \$400 emergency expense, or would do so by borrowing or selling something.

This takes us back to Personal Finance 101:

- *Spend less than you make.*
- *Build an emergency fund.*

We typically recommend that a dual income household have at least 3-6 months of expenses set aside in an emergency fund and a single income household 9-12 months. It always helps to know you have these funds to fall back on until things turn around. Life happens: people get laid off, companies or governments miss paychecks, and people get sick.

If these numbers seem lofty, don't worry; they were lofty to everyone at one point. Everyone must start somewhere. If you don't have any savings now, start by trying to save \$1,000. It's amazing how many things that will fall into the "I need cash quick" range are under \$1,000. Think about this: To save \$1,000 in a year, you need to save \$83 a month, or roughly \$2.75 a day. I notice that once people get on the right path to savings, they typically accumulate cash much quicker than they would have previously thought.

Do yourself and your family a favor and start an emergency fund or solidify it if you already have one. Don't be afraid of holding cash, but also don't leave it in an institution that won't pay you any interest. You can find banks that will pay you for holding your cash. Check out www.bankrate.com or www.nerdwallet.com as they are both good aggregators that will show you rates and rankings institutions that actually want your money.

Another alternative and something we have done for clients is find a money market that actually pays. We are currently finding rates north of 2%, but you have to look. Short term bond funds, individual bonds or Treasury's, while not as liquid, can also provide a boost to your savings with little risk.

If you have any questions, please don't hesitate to [email me](#).