

Cash Reserve



Step 6 in Your Roadmap to
Financial Independence

"What some people mistake for
the high cost of living is really the
cost of living high"

-Doug Larson

Financial uncertainties can strike when least expected, bringing about a significant amount of stress and potential debt. To mitigate these risks, setting up an Emergency Fund and a cash reserve is crucial.



What is an Emergency Fund?

An Emergency Fund is essentially money that you've set aside to cover unforeseen expenses. This fund provides financial security, helping you avoid accruing credit card debt and its associated high interest rates during emergencies.

What is a Cash Reserve?

A Cash Reserve is an extension of your Emergency Fund. Typically, it consists of 3-6 months' worth of living expenses, providing an additional layer of financial protection should you encounter extended periods of financial hardship.

How to Build These Funds

1. **Set Specific Savings Goals:** Start with a clear, achievable goal. If you recently eliminated monthly debt payments, you could roll your Debt Snowball amount into this Cash Reserve goal
2. **Create and Stick to your Spending Plan:** A well-structured Spending Plan helps you understand where your money goes each month and identify areas where you can cut back.
3. **Increase Your Income and Decrease Expenses:** Look for opportunities to earn additional income and scrutinize your expenses to find potential savings.
4. **Automate Your Savings:** Setting up automatic savings can help you stay on track with your goals without having to think about it each month.

Where to Keep Your Funds

For your **Emergency Fund** and **Cash Reserve**, choose accounts that offer a balance of high yield, security, and accessibility.

- High-yield savings accounts
- money market accounts
- short-term CDs

These are excellent options that will pay you interest while keeping your funds readily available when you need them most.

After you are debt-free, except your home, take the next step towards robust financial health by increasing your Emergency Fund to a fully funded Cash Reserve. Your future self will thank you for the peace of mind and financial security that comes from being well-prepared.



Next Steps:

1. Determine an appropriate amount for your Cash Reserve account
2. Put all other non-essential spending on hold, including retirement savings, until this goal is reached
3. Use the same account as your current Emergency Fund



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