

Quick — Can You Come Up With \$400?

Life is expensive: Find yourself in need of an ambulance, tow truck or mechanic, and a hefty bill will likely follow. And many people just can't pay.

Forty-four percent of adults say they either couldn't pay an emergency expense of \$400 or would have to sell something or borrow money to cover the cost, according to a 2017 report from the Federal Reserve Board.

It's not so much a matter of if but when you'll need to absorb a surprise expense. So ask yourself: How would you come up with that 400 bucks? Whatever your answer is, we can help.

If you're, uh, not sure where the money would come from

Not sure how big of an expense you could handle or which account you'd pay it from? Acquaint yourself with your finances and take these first steps toward managing your money.

As you get a handle on your finances, you'll set aside some savings in an emergency fund. That's a reserve designated to cover unexpected expenses you can't put off paying, like emergencies that affect your health or ability to earn money. If your boiler or furnace breaks, for example, you'll have money available to get it fixed.

You can also tap this fund to handle other financial crises, like a loss of income or major medical bill. With this cushion, you'll be less likely to rely on credit cards and high-interest loans when you face these surprise expenses.

If you'd have to borrow or sell to cover \$400

Now is the time to start that emergency fund. Keep it in a high-yield savings account that's separate from your go-to bank account.

Start with a goal of \$500. That could be enough to cover a furnace repair without going into debt.

Once you've saved that much, continue contributing until you reach \$2,000. ([These money-saving tips may help you reach your goal.](#))

If you'd pull \$400 from your emergency fund, of course

Nice, you're managing your money well enough to have a buffer for emergencies. After you tap the fund to cover a surprise expense, work on replenishing the money spent. Whether you're working toward a \$500 or \$2,000 fund, continue contributing. The end goal is a safety net that could cover three to six months' worth of expenses in case of job loss or another major event.

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