

Making Your Savings Rules

What types of savings does your household need? Who is deciding how much savings, and what types of savings, is enough for your household? Have you ever had a meeting about it? It's time.

SAVINGS TYPE	PURPOSE	RULES FOR FUNDING	WHERE TO KEEP
Emergency Reserves	For true emergencies: job loss, extraordinary medical bills, expenses related to a death in the family, etc.	5-10% of income until 3-6 months of your gross income is attained	In a separate account, at a separate bank, named "Emergency Reserves"
Short-Term Savings with a Purpose	For predictable yearly expenses: weekend vacations, holiday gifting, car repairs, kids summer camps, vet bills	1/12th of your year's total budget for predictable, non-monthly expenses	In a savings account at your bank, preferably named "Short Term Savings"
Long-Term Savings with a Purpose	For predictable long term purchases: a car, a new roof, a major vacation	Do the math for each major purchase: $\frac{\text{total cost}}{\text{years until purchase}} \div (12 \text{ months})$	In a separate account at a separate bank, named for what you're saving.
Home	For the down payment on a home, or the entire home	You choose, but consistency is key	In a separate account at a separate bank, named "Home."
College Education	For your children's education (or to further your own education)	Again, you choose, but consistency is key	In a separate account named "College," and if appropriate, in a 529 Plan
Retirement	The ultimate in savings with a purpose: your ability to	5-15% of income	In a qualified retirement account