4 tips if you have no emergency fund

There are many reasons it can be hard to pull together an emergency fund. Saving three to six months' worth of readily available cash to pay unforeseen expenses, as some professionals recommend, can seem like an impossible feat. Even before the COVID-19 pandemic, many Canadians were struggling to pay increasing housing costs and skyrocketing rent. You don't have to be living paycheque-to-paycheque to make saving for a rainy day feel like a luxury.

Maybe your business has shuttered or perhaps you are out of work. You may be wondering how you're going to get food on the table or pay the electricity bill. Here are a few points to think about for emergency money when you don't have an emergency fund.

Apply for benefits

Even if you aren't eligible for employment insurance, the federal government has instituted a number of benefits that Canadians, individuals and businesses may be able to access. The government has implemented emergency response benefits for many Canadians who are out of work or otherwise experiencing a loss or interruption of their income. For businesses, the government has instituted wage subsidies and low-interest loans. Research what may be available for you and consider applying as soon as you are able. There may be waiting periods, and it could take some time for money to reach you or your bank account.

Cut costs

This can be a time to really consider tightening your belt. That means that every purchase you make should be met with the tough question: "Do I need this now?" Beyond cutting discretionary spending (e.g., non-essential purchases like ordering takeout or entertainment), you may also look at ways you can pare down your lifestyle, which could include selling items, or ending memberships and subscriptions you can live without. You might also take this time to revisit your retirement plan, reviewing what monthly contributions you're making toward your long-term goals.

Considering using tax efficient investment options

If you're contemplating cashing in some investments to keep you afloat, make sure you consider any potential tax implications. For example, using money from a **Tax-Free Savings Account (TFSA)** can be tax-efficient since the money you withdraw is tax-free. Using money from a non-registered investment may result in paying taxes on capital gains, while using money from a **Registered Retirement Savings Plan (RRSP)** will be subject to withholding tax and will be added to your taxable income for the year. Withdrawing from an RRSP also means you permanently lose that contribution room. Sometimes a non-registered investment can have a capital loss that may reduce your taxes. If your annual personal income is expected to be very low, withdrawing from an RRSP could be a good long-term strategy, if you think this could be a year when your taxable income will be at its lowest. Where to withdraw funds is a personal strategy and should be taken with care.

Assess credit options

If you own a house, a **home equity line of credit** (HELOC) may allow you to borrow money at a low interest rate. But keep in mind that if you can't make your minimum payments, you could risk losing your home. Other unsecured loans may be available to you. If at all possible, you should try to avoid using high-interest credit cards and payday loans.

Tracking your spending using online apps like **TD MySpend** can help you see if you are keeping your head above water. In an emergency financial situation, you should be continuously adjusting as things change, and **digital banking tools** can be used to monitor your income and expenses so you can assess your financial situation quickly.

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