

Save your way to zero stress

We wish we could mail you a big fat check to pad your emergency fund, but since that just isn't practical (hi there, 5.4 million readers), we'll teach you how to build it up yourself.

BY LISA FREEDMAN

I F YOU FEEL LIKE YOU'RE IN a constant state of worry about money, at least take comfort in knowing you're not alone: 68 percent of women lose sleep over their finances, compared with 56 percent of men, a recent survey from CreditCards.com found. "Women tend to be consequential thinkers. We are wired for concern about safety and domestic security," explains New York-based psychotherapist Kachina Myers, who specializes in helping clients with financial issues. "And money, of course, creates that security."

So it stands to reason that one of your biggest concerns may be that you could lose your job, have to deal with an extreme medical condition, or need to shell out big bucks on a home repair. Where's that money coming from? One of those emergency funds you're always being told to set up? Cue more panic.

To ease your anxiety, first take the standard advice—that you need to have three to six months' worth of expenses in the bank—and throw it out the window. "This is something that drives me nuts," says Emily Guy Birken, author of the new book *End Financial Stress Now*. "You would cut so many expenses if you lost your job!" You may spend \$2,000 a month now, but you probably wouldn't in any kind of pinch.

That said, you do need an emergency fund, and contributing to it should be prioritized over retirement savings or investing. "Money in a retirement or investment account will be costly to withdraw in case of an emergency," Birken explains. Start like this:



BE REALISTIC

Instead of an overly lofty savings goal, aim for the more achievable amount of a flat \$1,000. To get there, start by saving \$10 per pay period. "For most people, \$10 out of their paycheck is not an amount that is going to be missed," Birken says. Have it automatically transferred to a savings account, and then in three months, raise it to \$15 each pay period. If you realize you won't miss \$30 from a paycheck, do that. The point: Just start somewhere.

KEEP IT SEPARATE

An emergency fund needs to be two things: inconvenient to dip into (so you're not tempted to skim from it), but still accessible (so you can get to it in an emergency). Sounds like a unicorn of a bank account, right? But this sort of thing does exist: online, high-interest savings accounts. Web-based banks often have better interest rates than their brick-and-mortar competitors. (Just make sure the money doesn't have to be locked up for a certain period of time and that there's no penalty to withdraw it.) And it generally takes a couple of business days to transfer money from an online account to your checking account. "That'll give you the funds you need in an emergency, but be too much of a pain for impulse purchases," Birken says.

ADD TO IT

Hit that \$1,000 mark? Congrats! Now you can return to that goal of having three to six months' worth of expenses saved up. See where you can cut back on your weekly spending. Once you get there, start salting away money for various irregular expenses. "My husband and I set aside money each month for car repairs, even when our cars are purring like kittens," Birken says, by way of example. "We rarely dip into our emergency fund, because many of the unexpected expenses are covered by one of our targeted savings accounts."

THINK ABOUT YOURSELF

"No matter how rock-solid your relationship may be, there are no guarantees in life," warns Birken. "So you need some kind of financial independence in case something were to happen to your marriage or your spouse." In addition to your family's emergency fund, it's not a bad idea to have your own. Not bringing in a paycheck? Any time you get cash as a gift (happy birthday, by the way!), set aside a small portion. Use some of a family tax refund for a personal emergency fund. And when you buy something on sale, pay yourself a portion of the savings. You'll be amazed at how quickly it adds up to that \$1,000.