



Why Your Emergency Fund Could Feel Wrong

Think back to the last time you calculated how much your emergency fund should be. If it's been a few years, your math may be more outdated than you realize. Prices were approximately 25% higher in late 2025 than before 2020, according to Bureau of Labor Statistics data.¹ Which means that the emergency cushion you built up a few years ago may cover significantly less than you think — even if the dollar amount looks the same.

The "Three to Six Months" Rule Needs a Refresh

The classic advice is solid: keep three to six months of living expenses tucked away in a savings account you can access quickly. But here's the catch — that rule is only as good as the expense number you plug into it. If your monthly costs have gone up (and for most households, they have), your target savings number should have gone up too. Groceries, utilities, housing, and insurance have all climbed. If you set your emergency fund target in 2021 and never looked back, the cushion you built may now cover fewer months of expenses than originally intended. That gap could become significant if an unexpected expense arises.

More Americans Are Feeling the Squeeze

You are not alone if your savings feel a little thin right now. A 2025 Bankrate survey found that 59% of Americans do not have enough savings to cover an unexpected \$1,000 expense.² And according to the Federal Reserve's 2024 Report on the Economic Well-Being of U.S. Households, 30% of adults said they could not cover three months of expenses by any means — not from savings, borrowing, or selling assets.³ These numbers may reflect real challenges many households face in keeping an emergency savings that meet rising costs.

How to Recalibrate

The good news is that there are steps you can take to address this challenge, and it starts with one simple step: update your math. Add up what you spend each month right now — rent or mortgage, groceries, utilities, insurance, transportation, childcare, and any recurring subscriptions. Multiply that by three (or six if your income is variable or your household relies on a single earner). That is your new target. If your current savings falls short, treat the gap like any other financial goal. Even small, automatic transfers to a high-yield savings account each month may help build toward your target over time without requiring a dramatic lifestyle overhaul.

Your emergency fund is one of the most important financial tools you have. It is what stands between an unexpected car repair and a credit card balance that takes months to pay off. Taking a few minutes to recalibrate it today may put you in a stronger position if an unexpected expense arises.

To learn more about strategies that put you in control of your financial future, contact the office to schedule a time to talk.



FINANCIAL WATCH

¹ Salisbury, Ian. "How much everyday prices have risen since 2020." 18 DEC 2025, CNBC.com, <https://www.cnbc.com/2025/12/18/cumulative-inflation-since-2020.html>.

² Goldberg, Matthew. "Bankrate's 2026 Emergency Savings Report." 04 FEB 2026, Bankrate.com, <https://www.bankrate.com/banking/savings/emergency-savings-report/>.

³ Board of Governors of the Federal Reserve System. "Report on the Economic Well-Being of U.S. Households in 2024 — Savings and Investments." 28 MAY 2025, FederalReserve.gov, <https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-savings-and-investments.htm>.

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