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| **The Importance of an Emergency Fund When Saving for Retirement****Saving for retirement is essential for your long-term security, but what will you do if there is an unpredicted expense due to an accident, illness, job loss, or other crisis? By creating an emergency fund, you establish a safety net that you can use in several ways.**You can create an emergency fund at the same time you contribute to your retirement fund. By doing so well before retirement, you establish a source of cash you can tap without dipping into retirement savings.**Don’t use your retirement savings as your emergency fund.** Your emergency fund, residing in an easily accessed savings account, should cover at least three months of your expenses. You’ll have to pay taxes (and if you’re under age 59 ½ , possibly an early withdrawal penalty) if you were to withdraw that amount from your 401(k) or IRA. In addition, you would permanently sacrifice tax-deferred growth on the withdrawn amount. Another problem is that it can take several days to obtain the cash from your retirement account, which can be inconvenient during an emergency.**Health insurance rarely covers all your medical expenses.** If you or your spouse have an accident or sudden illness, you may have to fund at least part of the cost out of your own pocket. Medicare or private insurance may leave you with thousands of dollars in co-pays, deductibles, and uncovered expenses. Your emergency fund can cover at least some of these unexpected expenses, sparing your retirement savings from a taxable withdrawal.**You may need to make sudden home improvements.** The costs of an unexpected illness or accident may not be limited to medical expenses. If you suddenly become physically impaired, you may need to add safety and accessibility features to your home. For example, the cost of a stair lift can exceed $4,000.1 You may need to modify your home’s layout to accommodate a wheelchair, which may require widening a doorway, or perhaps modifying the height of your kitchen counters.**Protect your income.** Unforeseen events can compromise your income. For example, you and/or your spouse may work part-time in retirement to generate extra income. An emergency fund can cushion the blow of sudden job loss and give you time to line up a replacement job. A bear market may cause a loss of dividend and interest income from your investments. Your emergency fund can help replace this income and give your investments time to recover.**An emergency fund should be part of your retirement plan.** Protecting your retirement nest egg is vitally important to your long-term comfort and security during your golden years. An emergency fund of sufficient size can protect your retirement funds against premature depletion. Please contact me to review your retirement plans, including how to protect yourself against emergency expenses. Together, we can take steps to ensure that your retirement funds stay intact even when life throws you a curveball.

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