

12 Month Emergency Fund. Do You Need One Or Is It Too Much?aa

With how tumultuous the job market has been, it can be hard to find any extra money in the budget to save. But if you're able to save, even a tiny amount, you'll feel more secure and less stressed.

Times are tough, which means you should plan a little bit further ahead. While the job uncertainty makes it difficult to know how everything is going to turn out, at the very least, you can stay prepared.

So this begs the question, do you need a 12-month emergency fund? If you're a single income family and are in a job sector with a lot of insecurity, it may be worth it to temporarily have a 12-month emergency fund until the job market settles down.

What Is A 12 Month Emergency Fund?

When the unexpected happens, you are forced to react. While you can't predict what can happen, having a little money set aside is always a difference-maker.

This is why I offer a potential solution – the 12-month emergency fund. This emergency fund is money you save to cover an entire year's worth of bare-bones expenses. If it's taking longer for you to find a replacement job or need to change job sectors, you will have enough saved that you can live off of through your search.

Reason For A 12 Month Emergency Fund

If you were to get laid off and unable to find the right job in the next few months, you still need a way to pay your bills. It's generally recommended that you have at least a 3-6 month emergency fund but recent job sector closures, furloughs, and company closings have made job searches take longer for an equivalent paying position.

If you want to be financially sound, you need a long-term plan. The 12-month emergency fund is a safe method to stay in the clear and not worry about going into debt.

It's less about having a year's worth of money available in the moment and more about how you can cut back on expenses and make the right moves.

Related: [Example Scenarios Where Having an Emergency Fund is Essential](#)

Where Can You Put Your Savings?

Before I talk about how you can save your money, I should mention where that money should go. There are a number of places you can safely put your emergency fund into. Each of them has different advantages. Below, I'll go over each of them and how they work.

High-Yield Savings Account

First off is a high-yield bank account. With this type of bank account, you can easily access your funds at any time. You also earn interest for each deposit you make, more so than with

