MERS
Municipal Employees' Retirement System

PLANNING FOR THE UNEXPECTED

Establishing an Emergency Fund & Other Savings Options

WHAT IS AN EMERGENCY FUND?

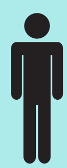
An **emergency fund** is money that's been set aside to cover any of life's unexpected events. This money will allow you to live comfortably for a few months should you happen to lose your job or if something unexpected comes up that will cost a fair chunk of money to cover.

Important emergency savings tips:

1. You should be able to access this money quickly and easily if some unfortunate event happens to occur.
2. Your emergency savings should be separate from the other things you are saving for.
3. Also ensure you are carrying the appropriate level of coverage when it comes life, health, auto and homeowners or renters insurance.

HOW MUCH SHOULD YOU SAVE?

3 mo

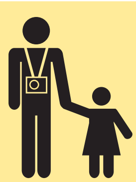


- Single
- **No dependents**
- Renter
- Back up support available (ex: parents)

6 mo

- **Applies to the majority of people**
- Single or Married
- Dependent(s)
- Mortgage
- Steady income

9 mo



- Single or Married
- Dependent(s)
- Mortgage
- **Work freelance or on commission**

Planning for the Unexpected

MERS
Municipal Employees' Retirement System

EMERGENCY FUND BEST PRACTICES

Don't Touch

- Should be accessible on short notice
- But not so convenient you're tempted to spend it elsewhere
- Consider keeping it in an account at a completely separate bank, or in a money market fund so it accrues interest

Consider Your Spending Habits

When contemplating a purchase with your emergency fund, ask yourself:

1. Is the expense unexpected?
2. Is it necessary?
3. Can it wait?

Utilizing Unplanned Income

Whether it's a pay increase, a tax refund, or an inheritance from your great aunt, extra cash can make a difference in your finances. So it's important to think carefully about how you're going to use it.

If you have credit card or other high-interest debt, paying it off might be a good move. But a little extra money could also give a nice boost to your emergency fund. Consider putting at least a portion of these unexpected dollars into your emergency fund to help build it up.

SUPPLEMENTAL SAVINGS OPTIONS

Individual Retirement Account (IRA)

A Roth IRA provides the ability to withdraw contributions at any time to cover unplanned expenses. This is an appealing option if you are trying to build your retirement account and your emergency savings at the same time.

You can withdraw your *contributions* from a Roth IRA tax-free at any time, without paying a penalty. Only your *investment earnings* need to remain in the account until you are 59½ to avoid paying a 10% penalty and income tax.

457 Supplemental Savings Program

The MERS 457 Program does allow withdrawals from your pre-tax account in the event of a severe financial hardship. Your employer must provide final approval of all such requests and if you receive an emergency distribution, you cannot make further contributions to the account for a six-month period.

Examples of qualifying hardships include:

- Sudden and unexpected illness or accident
- Loss or damage to your property due to an accident
- Disaster, destruction, theft or other severe and unforeseeable circumstances

For more information on both of these options, visit www.mersofmich.com.