



EVERGREENTM
WEALTH SOLUTIONS
PLAN. GROW. PROSPER.TM

Emergency Savings or Your Retirement Goals?

Deciding which one comes first so you
know where to focus your efforts

When it comes to personal finance, there are a number of competing priorities that can make it difficult to determine where to focus your efforts. For many people, the choice between building emergency savings and working towards their retirement goals is one of the biggest dilemmas they face. So, which should you focus on first?

In order to answer this question, it's important to understand what emergency savings and retirement goals are and why they are both important. Emergency savings refers to the amount of money you have set aside in a readily accessible account to cover unexpected expenses, such as a job loss, medical emergency, or major home repair. Retirement goals, on the other hand, are the plans you have in place to provide for yourself financially once you stop working.

Both emergency savings and retirement goals are important, but the order in which you focus on them will depend on your individual financial situation. If you have a stable income and few financial obligations, you may be able to focus more on your retirement goals, knowing that you have a safety net in place in the form of your emergency savings. However, if you have limited income and high debt, you may need to prioritize building up your emergency savings in order to protect yourself from financial shock.

Emergency Savings First

Here are a few reasons why emergency savings should come first:

1. **Peace of mind:** Having a solid emergency fund in place can help you sleep better at night, knowing that you have a safety net in case of an unexpected expense.
2. **Protects against debt:** If you don't have emergency savings, you may turn to credit cards or loans to cover unexpected expenses, which can quickly spiral into debt. Building up your emergency savings can help you avoid this trap.
3. **Provides flexibility:** With an emergency in place, you have more flexibility to make decisions about your financial future, such as taking on a new job or starting a new business

Retirement Goals First

However, there are also some good reasons why focusing on your retirement goals first can make sense:

1. **Time value of money:** The earlier you start saving for retirement, the more time your money has to grow, which can make a big difference in the amount you have saved when you retire.
2. **Compound interest:** The power of compound interest means that the earlier you start saving, the less you have to save each month in order to reach your goals.
3. **Employer matching:** If you participate in a 401(k) or other retirement plan at work, your employer may match a portion of your contributions. By maximizing this match, you can significantly increase your retirement savings.

Emergency Savings vs. Retirement Goals

So, which should come first? Ultimately, the answer will depend on your individual financial situation and goals. If you have a stable income and few financial obligations, you may be able to focus more on your retirement goals, knowing that you have a safety net in place in the form of your emergency savings.

However, if you have limited income and high debt, you may need to prioritize building up your emergency savings in order to protect yourself from financial shocks.

In any case, it's important to find a balance between the two. You don't want to neglect your emergency savings and end up in debt when an unexpected expense arises, but you also don't want to neglect your retirement savings and end up struggling to make ends meet in your later years. A good rule of thumb is to aim to have three to six months of living expenses in your emergency fund, and then start contributing to your retirement goals as soon as you can.



www.evergreenwealthsolutions.com

info@egwealth.com

1000 Commerce Park Drive, Suite 416
Williamsport, PA 17701

Phone: 570.601.6960 | Fax: 570.215.8832

No portion of this commentary is to be construed as the provision of personalized investment, tax or legal advice. Please consult with the appropriate professionals for advice that is specific to your situation. Evergreen Wealth Solutions, LLC can assist in determining a suitable investment approach for a given individual, which may or may not closely resemble the strategies outlined herein

The accompanying pages have been developed by an independent third party. These materials are general in nature and do not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative