



Start an emergency fund

Given the choice, most people with an extra \$20,000 would do something more appealing with it than stash it in a bank account in case of an emergency. But the truth is that it's important to have easy access to emergency money in order to cover unexpected events such as a job loss, an illness or a major home repair.

Most financial advisors recommend keeping anywhere from three to nine months worth of income in an "emergency fund" – it depends on which advisor you ask and what your individual circumstances are. Many people won't have the resources to put aside nine months of income, but you should aim for at least three.

For a more specific calculation of how much to set aside, multiply your net monthly income by the number of months you want to plan for, and don't try to cut

corners. In the event of a job loss, you could certainly cut back on your spending for a while, but you can't reduce fixed expenses such as mortgage payments unless you sell your home – which you probably won't want to do during a time of personal crisis.

DECIDE WHERE TO INVEST IT

If you don't already have enough spare cash to establish an adequate emergency fund, you should make arrangements to start building one.

There are three features to look for in the right investment solution for this fund: easy access, security and reasonable interest. Look for a secure, short-term product that lets you reclaim your cash when you need it, with no penalty.

And don't let your funds languish in a low-interest bank account. A high-interest deposit account would be a better choice. Or consider using a home equity line of credit instead.





For those who have the financial security, a home equity line of credit can be the best way to arrange your emergency funds. With a home equity line of credit, the funds you would normally have tied up in an emergency fund are free to be invested in a higher-yielding investment product or your RRSP.

If you have a mortgage, it's important to reduce that debt as quickly as possible and to ensure you have access to the equity you've built in your home. A flexible mortgage account such as a home equity line of credit is an ideal vehicle for reducing debt and having access to cash when you need it.

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