# Saving and Spending: Some Basics to Remember

## THE EMERGENCY FUND

Building financial security means sticking to a smart strategy and thinking ahead. Success comes from spending less than you earn, investing wisely, and protecting against unforeseen challenges. To be truly prepared you should probably have an emergency fund.

The point of an emergency fund is to cover unexpected events that could put you into long-term debt. It may be tempting to invest this money. However, your emergency fund should be kept as cash/money market so that when you need it you don't have to waste time selling shares or converting other assets (especially if it is not a good time to sell those assets). You should look for a high-yield savings account that can reward you with a little more interest than a standard savings account.

To figure out how much you should have in your emergency fund, first, total up your monthly household expenses. Do not include discretionary spending categories like entertainment or personal shopping. Add up necessities like rent, utilities, gas, groceries, and insurance.

Next, take that number and multiply it by three, six or nine. Which number to choose depends on your current income situation. If you are a salaried employee at a stable company, you might be ok with just three months worth of essential expenses – the idea being that it may take three months to find another job. However, if you are a freelancer or have a senior management position for which it may be more challenging to find the next job opportunity, it is best to have a minimum of six to nine months worth of savings in the form of cash/money market.

Be disciplined and save your emergency fund for true emergencies, such as a large medical bill or a layoff. It is fine to save for fun things too, like a vacation or a new car, just keep these accounts separate. Even if you never use your emergency fund, knowing you have this safety net available can provide valuable peace of mind.

Ideal Spending

Hand in hand with savings comes the issue of ideal spending. If you spend too much, you'll find yourself in debt. Spend too little, and you may not be maximizing your financial potential. So how do you know if you're spending just the right amount? And, if you need to make a change, how should you go about it?

If you have a significant revolving balance in your checking account, you might want to think about ways to make your money work harder. Adding just a few more dollars a week to your retirement fund or a high interest savings account can yield greater benefits in the future. Underspenders may also simply be disconnected with their finances and unsure of what to reasonably spend. A financial planner could assist the underspender with understanding what they may be leaving on the table with regard to savings and retirement.

Not having a budget or not sticking to the one you've made can easily lead to overspending. If you find yourself in this category, take the time to establish clear financial goals and then build a plan that will help you reach them. It also helps to eliminate spending triggers. Unsubscribe from retailer emails and don't make a habit of aimless online shopping. Focus instead on quality time with the people you care about and ask them to help you stay on track.

When needing some budget inspiration, you can consider the 50/30/20 method. With this approach, 50 percent of your income should go toward needs – core expenses like housing, food, and transportation. Allocate 30 percent to "wants" like travel and entertainment, and the remaining 20 percent can go toward your savings. For additional help, consult your financial advisor or financial planner with questions about adjusting your saving and spending behavior.

**DISCLAIMER:** *Sulzberger Capital Advisors only transacts business in states where it is properly registered, or is excluded or exempted from registration requirements. Registration as an investment advisor does not constitute an endorsement of the firm by securities regulators nor does it indicate that the advisor has attained a particular level of skill or ability. Content is provided for informational purposes only and should not be construed as legal, tax, or investment advice.*

Gene C. Sulzberger is president of Sulzberger Capital Advisors, a registered investment advisory firm in Miami. He works with U.S. and international clients, in an effort to help them meet their wealth management goals. Gene is a CERTIFIED FINANCIAL PLANNER™ and a Registered Trust and Estate Practitioner (TEP). He has his Juris Doctor and previously practiced law in the area of trust and estate planning. He has over 20 years of experience in financial services and planning. Gene can be reached at (305) 573-4900 or gene@sulzbergercapital.com.