

EMERGENCY

FUND GUIDE

A beginner-friendly guide to building, storing and using an emergency fund with confidence.

PROTECT

Prepare for unexpected expenses.

PLAN

Choose a realistic emergency-fund target.

REBUILD

Restore the fund after you use it.

Inside this guide

- What an emergency fund is
- How much to keep
- Emergency fund vs regular savings
- Where to keep it
- How to start from ₹500/month
- When to use it
- How to rebuild it
- Planning for salaried, self-employed and family situations

Core idea: An emergency fund is designed for unexpected, necessary expenses—not routine shopping or planned goals.

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What Is an Emergency Fund?

Practical financial education

In simple words: An emergency fund is money set aside specifically for unexpected and necessary expenses or a temporary income disruption.

What to know

- It can help with urgent medical or household costs.
- It can provide a buffer when income is interrupted.
- It can reduce the need to rely immediately on expensive borrowing.
- It should be protected from casual spending.

Simple example: An unexpected essential repair costing ■15,000 could be paid from an emergency fund rather than disrupting the monthly budget.

PRACTICAL STEPS

- Start with a small first target.
- Keep the purpose clear.
- Contribute regularly.
- Review the amount as your situation changes.

KEY TAKEAWAY

It can help with urgent medical or household costs.

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How Much Should You Keep in an Emergency Fund?

Practical financial education

In simple words: A useful planning approach is to think in terms of essential monthly expenses rather than salary alone. The right amount depends on income stability, dependants, debt, insurance and other circumstances.

What to know

- Add essential household expenses.
- Consider how stable your income is.
- Consider financially dependent people.
- Factor in major recurring obligations.
- Build gradually instead of waiting for a perfect target.

Simple example: If essential monthly expenses are ₹30,000, a 3-month reserve would be ₹90,000. Some households may choose a larger buffer depending on circumstances.

PRACTICAL STEPS

- Calculate essential expenses.
- Set a first milestone such as one month.
- Then work toward a larger buffer.
- Review the target annually.

KEY TAKEAWAY

Add essential household expenses.

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Emergency Fund vs Regular Savings

Practical financial education

In simple words: Regular savings are often used for planned goals. An emergency fund is specifically reserved for unexpected needs.

What to know

- Vacation, phone or festival money = planned goal savings.
- Unexpected medical bill or temporary income loss = potential emergency-fund use.
- Separate purposes can make money easier to manage.
- Labels or separate accounts may help.

Simple example: ■20,000 saved for a laptop should not automatically be treated as emergency money if the laptop is a planned purchase.

PRACTICAL STEPS

- Name accounts or goals clearly.
- Keep emergency money accessible.
- Avoid using it for predictable expenses.
- Replenish it after an emergency.

KEY TAKEAWAY

Vacation, phone or festival money = planned goal savings.

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Where Should You Keep Your Emergency Fund?

Practical financial education

In simple words: The priority is generally accessibility and suitability for the purpose, not chasing the highest possible return.

What to know

- Choose a place where the money can be accessed when genuinely needed.
- Consider safety, liquidity, applicable interest and conditions.
- Avoid putting the entire reserve into assets that fluctuate significantly or cannot be accessed quickly.
- Understand withdrawal rules or limits.

Simple example: A readily accessible savings account may suit an immediate emergency layer; other suitable accessible options may be considered for additional reserves depending on circumstances.

PRACTICAL STEPS

- Prioritise access and safety.
- Know how quickly you can withdraw.
- Check applicable bank terms and taxes.
- Do not confuse emergency money with long-term investments.

KEY TAKEAWAY

Choose a place where the money can be accessed when genuinely needed.

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How to Build an Emergency Fund From ₹500 a Month

Practical financial education

In simple words: A small monthly contribution can be a practical starting point when cash flow is limited.

What to know

- Start with ₹500 per month if affordable.
- Automate the transfer when practical.
- Use occasional extra income to add to the fund.
- Increase the amount after a raise or expense reduction.
- Track milestones.

Simple example: ₹500/month = ₹6,000 in 12 months from contributions alone. ₹1,000/month = ₹12,000, before any interest.

PRACTICAL STEPS

- Set a first milestone.
- Increase gradually.
- Do not borrow to fund the emergency account.
- Protect essential expenses first.

KEY TAKEAWAY

Start with ₹500 per month if affordable.

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When Should You Use Your Emergency Fund?

Practical financial education

In simple words: Use it for unexpected, necessary expenses or a meaningful income disruption—not ordinary wants or predictable bills.

What to know

- Unexpected essential medical expenses.
- Urgent home or vehicle repairs.
- Necessary expenses during temporary income interruption.
- Other genuine emergencies that cannot reasonably wait.

Simple example: Usually not for a planned vacation, routine shopping, a sale purchase or a predictable annual bill.

PRACTICAL STEPS

- Ask: Is it unexpected?
- Is it necessary?
- Can it wait?
- If you use the fund, record the amount and plan to rebuild it.

KEY TAKEAWAY

Unexpected essential medical expenses.

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How to Rebuild Your Emergency Fund After Using It

Practical financial education

In simple words: Using the fund is not a failure—it is one of the reasons the fund exists. The next step is restoring the buffer.

What to know

- Calculate how much was withdrawn.
- Restart regular contributions.
- Direct suitable extra income toward rebuilding.
- Review expenses for practical reductions.
- Set a new milestone.

Simple example: If you used ■20,000 and normally save ■2,000/month, rebuilding from contributions alone would take 10 months.

PRACTICAL STEPS

- Prioritise rebuilding before increasing non-essential spending.
- Do not feel pressured to replace it immediately.
- Keep a small starter reserve while rebuilding if possible.

KEY TAKEAWAY

Calculate how much was withdrawn.

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Emergency Fund for Salaried Employees

Practical financial education

In simple words: A salaried employee may have predictable income, but job changes, layoffs, health costs or family needs can still create pressure.

What to know

- Base the target on essential monthly expenses.
- Consider job stability and notice periods.
- Account for EMIs and dependants.
- Review after a job change or major expense.

Simple example: If essential expenses are ■35,000/month, a 3-month illustration is ■1.05 lakh.

PRACTICAL STEPS

- Build a starter buffer.
- Increase it as responsibilities grow.
- Keep it separate from goal savings.
- Review after career changes.

KEY TAKEAWAY

Base the target on essential monthly expenses.

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Emergency Fund for Self-Employed Individuals

Practical financial education

In simple words: Income can be less predictable, so cash-flow variability may justify a larger or more carefully planned buffer.

What to know

- Separate business cash from personal emergency savings.
- Review average essential personal expenses.
- Consider irregular income and payment delays.
- Keep taxes and business obligations separate.
- Build during stronger months.

Simple example: If essential personal expenses are ■40,000/month, a 6-month illustration is ■2.4 lakh.

PRACTICAL STEPS

- Do not treat business working capital as personal emergency savings.
- Build a personal buffer even in strong months.
- Review the target when income patterns change.

KEY TAKEAWAY

Separate business cash from personal emergency savings.

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Emergency Fund for Families

Practical financial education

In simple words: Families may need to consider more people, more essential expenses and the possibility of simultaneous unexpected costs.

What to know

- Include essential household expenses.
- Consider children, dependants and healthcare.
- Include unavoidable rent or loan commitments.
- Review insurance separately.
- Agree on what counts as an emergency.

Simple example: If essential family expenses are ■60,000/month, a 3-month illustration is ■1.8 lakh.

PRACTICAL STEPS

- Create a shared emergency plan.
- Keep savings accessible.
- Do not count planned-goal money as emergency savings.
- Review after major family changes.

KEY TAKEAWAY

Include essential household expenses.

Emergency Fund Planner

Use this worksheet to create a starting target. The numbers are planning examples, not universal rules.

STEP 1 — ESSENTIAL MONTHLY EXPENSES

- Housing / rent: ■ _____
- Food & household essentials: ■ _____
- Utilities & communication: ■ _____
- Transport: ■ _____
- Insurance / healthcare: ■ _____
- Minimum debt commitments: ■ _____
- Other essential expenses: ■ _____
- TOTAL ESSENTIAL EXPENSES: ■ _____

STEP 2 — BUFFER TARGET

Starter target (example: 1 month): ■ _____

Next milestone (example: 3 months): ■ _____

Larger buffer if appropriate: ■ _____

STEP 3 — MONTHLY CONTRIBUTION

Amount I can save each month: ■ _____

Automatic transfer date: _____

Target review date: _____

Emergency test: Before using the fund, ask: Is this unexpected? Is it necessary? Can it reasonably wait?

Educational Disclaimer

This guide is for general financial education only. It is not personalised financial advice and does not recommend any specific financial product. Emergency-fund needs vary based on income stability, essential expenses, dependants, debt, insurance and individual circumstances.