

Emergency savings

The freedom fund: what emergency savings really give you

An emergency fund isn't just for bad days. It buys you time, calm and room to choose, and even \$250 is a real start.

6-minute read • Updated October 2026 • Checked against its sources



The short version

- ✓ Savings buy time: to find a better job, care for someone you love, or learn something new without going into debt.
- ✓ Small amounts count. In one study, families with \$250 to \$749 saved (in 2015 dollars) were less likely to miss a rent or mortgage payment after losing income.
- ✓ Name it for what it gives you, automate it, and keep it separate. Pick a name that reminds you it's meant to be used when you need it.

Rather talk it through?

A volunteer financial adviser can help with your situation, one-on-one, for free.



Point your phone's camera at the code, or go to:

go.advisersgiveback.org/start

From a nonprofit. Every volunteer adviser is a fiduciary, which means they must put your interests first. We never sell your information.

1 More than a rainy-day fund

Most of us think of an emergency fund as money for the worst day: the breakdown, the layoff, the hospital bill. It is that. But cash on hand also does something quieter. It gives you choices.

With some savings behind you, you can:

- Leave a job that's no longer right for you, without panicking about the next paycheck. If you quit, you may not get unemployment benefits unless you had a good reason, so a cushion matters even more.¹

- Take time to care for someone you love, without going into debt.
- Take a class or try a new direction.
- Worry less about what the next bill will bring.

That's why some people call it a freedom fund. Here's what it can buy you, and how to start one on any income.

2

It buys you time

Jobs change, sometimes by choice and sometimes not. In the Federal Reserve's 2025 survey, 7% of adults said they were laid off in 2025, and 8% left a job on their own. And 42% said finding or keeping a job was a concern. ²

A cushion gives you time to find the right next job, not just the first one. And a change often works out. In 2025, 60% of people who changed jobs said the new one was better overall. ²

Caring for family takes time, too. In 2025, 18% of adults regularly gave unpaid care to an adult relative or friend because of aging, disability or illness. ² Federal law gives many workers the right to take up to 12 weeks of job-protected leave in a 12-month period to care for a spouse, child or parent with a serious health condition. But that federal leave is unpaid. ³

California's own family leave law protects the jobs of many workers at employers with as few as five employees, and it covers more relatives, like a grandparent or sibling. ⁴ And if you've paid into State Disability Insurance ("CASDI" on your pay stub), California's Paid Family Leave can pay you benefits for up to 8 weeks while you care for a seriously ill family member. ⁵ The benefits replace only part of your pay, so savings help fill the gap. ⁶

3

It buys you calm

Money worry takes up a lot of room in your head, and savings may ease some of it. In a 2019 survey, the Consumer Financial Protection Bureau (CFPB) asked people how often they feel their finances control their life. ⁷

58%

of people with less saved than they felt they needed said their finances control their life, always or often

Among people who had as much saved as they felt they needed, 22% said so.

Source: Consumer Financial Protection Bureau, Perceived Financial Preparedness, Saving Habits, and Financial Security (September 2020)

Income matters, but it isn't the whole story. Take people earning \$20,001 to \$40,000 who had the savings they felt they needed. They were about as likely to feel that money controls their life as people earning over \$100,000 who didn't. In both groups, it was roughly a third. ⁷

The habit seems to count, too, even before the fund is full. Among people who had less saved than they felt they needed, 72% of those who weren't saving said money controls their life. Among those who were saving, it was 45%. ⁷ The survey shows a pattern, not proof. But it suggests you don't have to reach your goal to feel some relief.

4

It buys you room to say no

Savings change how you can bargain. When you have cash, you don't have to take the first offer, because you're not out of options.

- **You can shop around.** Get a second quote on a car repair instead of saying yes on the spot.
- **You can skip costly credit.** A surprise paid with a credit card or a loan can grow much bigger than the bill itself, because of interest and fees. ⁸
- **You can turn down a bad loan.** If you do need to borrow, you have time to compare costs. Our guide [What to do when a big bill hits](#) shows how.
Online: advisersgiveback.org/resources/dont-let-emergencies-derail-you/
- **You can wait for the right fit.** A job, an apartment, a car: with a cushion, you have time to choose.

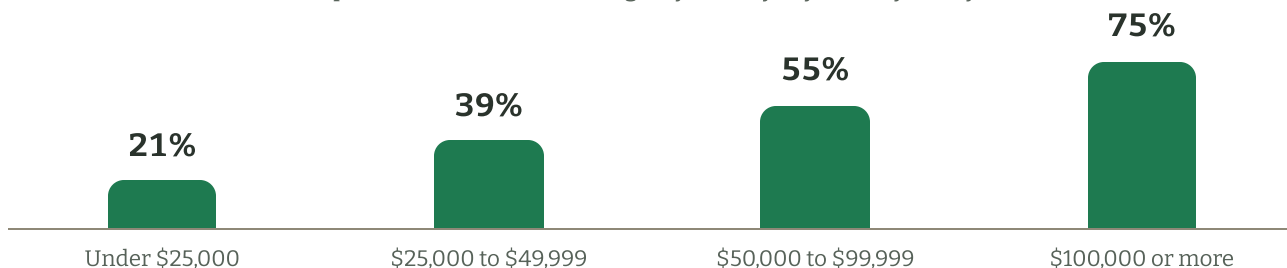
5

Who has a cushion, and why small amounts count

Building savings is harder on a smaller income, and the numbers show it. In 2025, 75% of adults with a family income of \$100,000 or more had three months of expenses set aside. Among those earning under \$25,000, 21% did. ²

The higher the income, the more likely a three-month cushion

Adults with three months of expenses set aside in an emergency or rainy day fund, by family income, 2025



All adults: 55%.

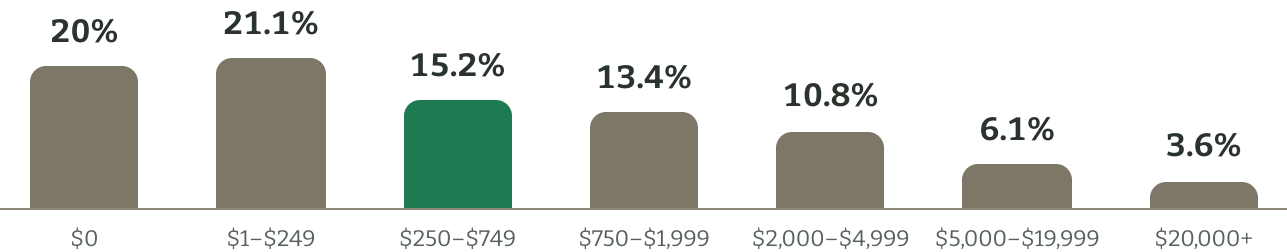
Source: Federal Reserve Board, Economic Well-Being of U.S. Households in 2025 (May 2026)

That gap is about math, not character. Only 19% of adults earning under \$25,000 said they always or often had money left over at the end of the month. For those earning \$100,000 or more, it was 59%. ² When little is left over, every dollar saved takes more effort.

The good news is that a freedom fund doesn't have to be big to help. Using Census survey data from 2009 to 2012, the Urban Institute studied families who lost a job, had a health problem that limited their work, or saw their income fall by half or more. Families with \$250 to \$749 saved missed a rent or mortgage payment less often: 15%, compared with 21% of families with \$1 to \$249. ⁹

With a few hundred dollars saved, fewer families missed a rent or mortgage payment

Families who missed a housing payment after a job loss, a health problem that limited work, or an income drop of half or more, by savings, 2009 to 2012



Savings outside retirement accounts, in 2015 dollars.

Source: Urban Institute, Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities (April 2016)

Families with more savings did even better. The same study found that lower-income families with \$2,000 to \$4,999 saved were less likely to face a hardship after losing income than middle-income families with no savings. ⁹

6 Build your freedom fund

Three steps turn the idea into an account:

- 1

Name it.

Call the account something that means something to you, like “Freedom Fund” or “Peace of Mind.” Research reviewed by the CFPB, mostly from outside the U.S., suggests that keeping savings in a separate place, labeled for a purpose, can help people save. But labels can backfire. In a set of experiments, people saving for a goal that felt especially responsible, like their children, were more likely to say they’d put an emergency on a credit card than use that money. ¹⁰ So pick a name that reminds you the money is there to be used when you need it.

2

Automate it.

Set up a small transfer on payday. At \$10 a week, you'd have \$520 in a year. Our guide [Pay yourself first](#) shows how.

Online: advisersgiveback.org/resources/pay-yourself-first/

3

Keep it separate.

Keep it somewhere you won't be tempted to spend it on things that aren't emergencies.⁸ An account at a different bank or credit union adds a helpful pause. Out of sight, out of temptation.

Try your own numbers. The calculator shows how long each step takes at the amount you can save.

**How long to build your cushion?****Worked example**

Scan the code to try your own numbers, or go to advisersgiveback.org/resources/the-freedom-fund/



Essentials each month **\$2,500**

Saving each month **\$100**

Already saved **\$0**

1

4 months

to reach \$400

2

10 months

to reach \$1,000

3

2 years, 1 month

to reach one month of
essentials (\$2,500)

4

6 years, 3 months

to reach three months of
essentials (\$7,500)

The first steps come soonest. The later ones are long-term goals.

**Try this today**

Open your banking app, or call your bank or credit union, and rename your savings account. Then write down one thing your freedom fund would let you do.

*An emergency fund isn't just protection
from the bad. It's permission for the good.*

For more on building your cushion step by step, read [Build an emergency fund, one step at a time](#). And whatever you earn, a volunteer adviser can help you set a savings goal that fits your life, one-on-one and for free.

Online: advisersgiveback.org/resources/not-if-but-when/

Questions to bring to your adviser

A volunteer adviser is ready when you are.

A volunteer adviser can look at your numbers with you and help you decide what to do first.

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Updated October 2026. This guide is general information, not advice for your situation. We check every number against its source; if something has changed, tell us at advisersgiveback.org/contact. Read it online, with its calculators and videos, at advisersgiveback.org/resources/the-freedom-fund/. Advisers Give Back is a 501(c)(3) nonprofit (EIN 84-4685390), and we never sell your information.