

# Keep Cash Available



Exactly how much easily available cash should you set aside as a hedge against unexpected events, such as job loss, a sudden medical expense or a family emergency?

It is a financial question without a standard answer simply because everyone's situation is different. Would you need to support an involved, complex lifestyle? Or a relatively simple one? Is your mortgage paid off or is it a significant monthly drain on your assets?

To find your own answer as to how much cash you should keep on hand, you'll need to first get out your calculator and add up what your essential monthly expenses actually are. No matter how many months experts advise setting aside as back-up cash — and suggestions vary from three months' to one or two years' worth of expenses — they agree on one important principal: Don't guess or use approximations. Guesses can be wildly inaccurate — and you can be at a disadvantage on either side of the equation.

Set aside too much and you may condemn a portion of your wealth to low returns. Set side too little and you may not have enough to see you through an emergency, and that could force you to liquidate investments — perhaps at an inopportune time - to stay afloat.

## How Much, Really?

Find your number by first adding up your fixed monthly expenses such as your mortgage, car and other loan payments, utility bills, telephone costs, minimum credit card payments, and other established monthly charges. Don't forget to divide your annual bills — house and auto insurance costs and property taxes, for example — by 12 and include their monthly totals. And don't miss any other fixed costs that may not fit neatly into these cate-

gories.

Do you have set education expenses for your children? Or assisted living payments for a parent? If so, include them in your fixed expenses-to-be-covered column. Add these expenses together to find the monthly total you would need just to keep going.

## Flexible Expenses

That's not all. You should also figure your normal monthly expenditures for groceries, clothing and other necessities, along with any other costs that fit into the flexible category — expenses you could scale back somewhat, if necessary.

When you've finished, you'll have a monthly figure to use as a basis. You know your situation best, so how many months' worth of emergency cash you might need to cover your basic needs is a personal decision. No matter what it is, the point is to insure yourself against a fiscal emergency by having set aside a large enough stash to keep you and your family financially whole through a period of underemployment (if you're self-employed or in a business that brings in variable income), unemployment, a medical emergency or any other kind of family crisis.

If you'd like to discuss how to handle your emergency funds, just let me know.

*Kathy Greenway is a Certified Financial Planner® with Raymond James Financial Services, Inc. located at First Dakota National Bank, 225 Cedar St., Yankton, SD. Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC, and are not insured by FDIC, NCUA or any other government agency; are not deposits or obligations of First Dakota National Bank; are not guaranteed by First Dakota National Bank; and are subject to risks, including the possible loss of principal. First Dakota National Bank and First Dakota Brokerage Services are independent of Raymond James Financial Services.*

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