Sam's Economics

Your real emergency fund number

How big your emergency fund should be, where to keep it, how to build it, and what a job loss costs without one.

SAME LAYOFF, SAME SIX MONTHS

$0 vs $5,833 in interest

Naomi covered a six-month job search from her $15,000 fund. Derek had $2,000, put $13,000 on a 22% card and spent 38 months and $5,833 in interest paying it off.

1. The formula

Emergency fund = monthly gap × months of cover
Monthly gap = essential spending − income that would keep coming (unemployment benefits, a partner's pay).

YOUR SITUATION	MONTHS OF COVER
Two-income household, both jobs stable	3
Only earner	6
Irregular income, self-employed, or a field that hires slowly	9–12

Why months matter: in September 2026 the median US job search was 11.5 weeks, the average 24.8 weeks, and 27% of unemployed people had been looking for more than six months (BLS).

2. Derek and Naomi's number

ITEM	PER MONTH
Take-home pay	$5,500
Essential spending	$4,000
Unemployment benefits	−$1,500
Monthly gap	**$2,500**
Emergency fund: 6 months × $2,500	**$15,000**
"Six months of take-home pay" would have said	$33,000

3. A six-month job loss

	NAOMI ($15,000 SAVED)	DEREK ($2,000 SAVED)
Gap covered by savings	$15,000	$2,000
Put on a 22% credit card	**$0**	$13,000 (balance $13,514 when he starts work)
Payoff at $500 a month	—	38 months
Interest	**$0**	$5,833

4. Where to keep it

ON $15,000	RATE	INTEREST A YEAR	BUYING POWER A YEAR (3.7% INFLATION)
High-yield savings (insured)	about 4.2%	**$630**	+$72
Average US savings account	0.37%	$56	−$482

- Insured, separate from checking, easy to reach in a day or two.
- Not in stocks: layoffs and market drops often arrive together.
- **Too much is a cost too.** $25,000 beyond your number in a 0.37% account loses about $800 of buying power a year.

5. Build it

SAVING EACH MONTH AT 4.2%	MONTHS TO $15,000 FROM ZERO
$400	36
$500	29
$600	25

1. Start with the first $1,000. It covers most small emergencies that push people onto credit cards.
2. Then one month of your gap, then three, then your full number.
3. Automate a transfer on payday into a separate high-yield account.
4. After you use it, refill it before you restart other goals.
5. Add your largest likely surprise (a car repair, an insurance deductible) if your number doesn't already cover it.

6. Essentials worksheet

ESSENTIAL	PER MONTH
Housing (rent or mortgage, property tax, insurance)	
Utilities and phone	
Groceries	
Health insurance and regular prescriptions	
Transportation (car payment, insurance, fuel, transit)	
Minimum debt payments	
Childcare and other must-pays	
Total essentials	
Minus income that would keep coming	
Monthly gap	
× months of cover (3, 6, 9–12)	
My emergency fund number	

7. Checklist

- [ ] I added up my essentials only.
- [ ] I subtracted income that would keep coming: that's my monthly gap.
- [ ] I picked my months of cover: 3, 6 or 9–12.
- [ ] My fund is in an insured high-yield account, separate from checking.
- [ ] I'm building it one month at a time, starting with $1,000, and I'll refill it after I use it.

Assumptions: savings grow monthly at the APY; during a job loss, savings are used first and the rest goes on a 22% card with nothing paid until work resumes, then $500 a month. Sources: BLS Employment Situation, September 2026 (duration of unemployment); BLS CPI, September 2026 (3.7%); FDIC national average savings rate 0.37% and top high-yield rates about 4.2–4.4% (October 2026); Federal Reserve G.19 (card rate for accounts paying interest, 22.36%, August 2026); Federal Reserve SHED 2025 report (63% of adults would cover a $400 emergency with cash). Figures are illustrations rounded to the dollar.

General information, not financial advice. Unemployment benefits, job markets and rates vary by state, country and year. Free calculator: aitaconsultinginternational.com · YouTube: @samseconomics