



How much to set aside as your emergency fund?

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Low risk threshold

Set aside
emergency fund
worth 24 months
of expenses



High risk threshold

Set aside
emergency fund
worth 6 months
of expenses



Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



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Before an investor starts investing in the equity markets, they should think about setting aside emergency money that can help them tide over unforeseen expenses. To qualify as emergency money, it should meet the following criteria:

1. *Liquid i.e., investors can withdraw as and when they require*
2. *Should be separate from equities.*
3. *Need to prioritize on safety and liquidity over returns.*

As a general guideline, investors need to have enough money to keep up with their consumption pattern for 12 months. The size of the emergency corpus can be in a range of 6-24 months and must be in tandem with the investor's lifestyle & risk tolerance. Those with a low risk threshold might want to consider a higher sum (say up to 24 months of expenses) dedicated to their emergency fund. If the investor is young and has no significant financial obligations and dependents, he/she may set aside only six months of expenses for emergencies.

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