

How to store cash for your "tri-level emergency fund"

[The Tri-Level Emergency Fund](#)

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THE DAILY CRUX

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This past Saturday evening I joined radio talk show host Michael Finney of KGO AM 810 San Francisco on his weekly radio show, "Consumer Talk with Michael Finney," to discuss my recent post about safe places to keep cash at home. During our conversation I shared with him my Tri-level Emergency Fund Plan, and even though I have mentioned all three levels here separately in the past, I thought it might be nice to present in a single, concise article.

What is a Tri-Level Emergency Fund?

A basic definition of a traditional emergency fund is a pile of money saved separately from other savings goals, and outside of a normal spending account. Its main purpose is for covering emergencies, or required expenses that crop out outside of the normal budgeting process that cannot be cashflowed with regular earnings. A sale is not an emergency, and job layoff, broken transmission or serious illness is - you get the idea.

Emergency funds come in many shapes and sizes, and while experts disagree on the amount that should be saved, everyone agrees that we all should have one adequate to cover some months of required expenses. **Whether that number represents one month or twelve months, or somewhere in between, is entirely up to you.** I say save just enough to sleep comfortably at night and **invest the rest.**

Level I: The In-House Emergency Fund

The first \$500 or so of your emergency should be something completely liquid (cash) and saved within arm's length. This amount could be spread out around hiding places in your

home, your car, or at your job (or some combination), or could be locked down in a fireproof safe bolted to the concrete slab under your closet. **The point is to stash some cash to cover short emergencies that may happen around the home**, when using a debit card or visiting the ATM is not possible. Think state-wide power outage, a family member in desperate need of cash, a local natural disaster, etc. Don't keep your life savings at home, but stashing a few hundred dollars makes sense. See bottom for some ideas about hiding the cash in your home.

Level II: The Local Emergency Fund

I recommend keeping the next \$1,000 of your emergency fund in a local emergency fund at a bank or credit union checking account. These funds would cover things like car repairs, broker appliance and late-night calls to the local plumber. **The beauty of these accounts is they are local and have check-writing privileges from a local bank**, so most service providers in your area would not give you a hassle about accepting a check. If they did, a quick trip to the ATM, or a counter check from the local branch, should resolve the problem.

Level III: The Mega Emergency Fund

What's a "mega emergency?" **Mega emergencies are the types of emergencies that might require you to live off this fund for a short time.** Think job layoff, medical disability, a serious accident, etc. My mom suffered an aneurysm and stroke about a year ago and had to wait six months for [disability insurance](#) to begin coverage. Are you prepared to live six months without an income? Most of us are not, and unfortunately, neither was she.

The Mega Emergency Fund is the only place I worry about interest rates, and even then security is a more important consideration. Still, you at least want to stash the money where it will earn a little interest, and the higher the rate, the better. Consider an online savings account, or if you have enough saved, a tiered money market account at a credit union may offer higher interest rates than traditional savings accounts.

A tri-level emergency fund is the ultimate way to diversify your cash portfolio dedicated to emergencies, and when fully funded, should help you sleep better at night. It's been said that there is no softer pillow than money in the bank. After many sleepless nights in the past with an empty bank account, I would have to agree.

Seven Secret Places To Hide Cash In Your Home

Category: Family finances | from \$FrugalDad <http://frugaldad.com/>

It's a good idea to keep a little cash in your home for emergencies. How much you decide to keep is up to you, but I would suggest keeping enough cash on hand to pay for a week of groceries, and maybe a night or two in a hotel. Because this money will not be earning interest, and is subject to being stolen by a burglar, I don't suggest keeping a huge stash in your home.

When you've settled on an amount you should think about secret hiding places to stash the cash. We've all seen those spy movies where the guy removes the tile from the back splash behind his stove and pulls out a cache of bills, passports and ammo. Well, the following ideas may not be worthy of James Bond, but they will improve the chances of your money surviving a break in.

Seven Secret Hiding Places for Your Cash

1. In the freezer wrapped in aluminum foil. Save a little Styrofoam from the next pack of meat you buy and cut it down to the size of a couple large steaks. Put your cash in a Ziploc bag, stick it between two pieces of the used meat tray and wrap it in aluminum foil. Take a piece of masking tape and write "Scraps - 05/22/2005." Robbers are not likely to look through the pack, and if they pull back the foil they'll only see the familiar Styrofoam tray and stop.

2. Sandwiched between the cardboard backing of a hard-to-reach picture frame. Most thieves pull back pictures from the wall to see if money is taped to the back, but they aren't likely to take the time to look behind the glass, the cardboard backing and the picture itself. Use a pen knife to split the cardboard backing into two halves and sandwich the cash in between.

3. Under a piano, entertainment center or anything weighing a couple hundred pounds or more. If you have a hand truck around the house it's pretty easy to just lift up the corner of a piano and slide an envelope under it. However, a burglar probably won't be able to lift something this heavy, and would spend his time digging through the drawers or inside of the furniture rather than trying to lift it.

4. Inside a used can of soup. The next time you have soup, open the bottom of the can to empty the contents and then leave the top in tact. Rinse the can thoroughly, then use it to cover your stash of cash hidden inside your pantry. Stack a few cans of soup on top just to make it less convenient for someone to pick it up out of curiosity.

5. Buried in the "soil" of a fake plant. If you have a fake plant, or small tree, in your home, wrap your cash in a Ziploc bag and nest it inside the "soil" of the plant.

6. In hollowed out pages of a book on your book shelf. Using a pen knife or box cutter, carve out a few pages of your least favorite title. Hide your cash inside the book and return it to the book shelf.

7. Inside a kid's toy hidden in their closet. Kid's rooms are notoriously messy, and kids are not known for having large sums of money. Take apart an old plastic toy they no longer play with and hide your stash of cash in there. Return the toy to the bottom of the pile of toys in your kids closet, or toy chest, and it should be safe.

It's important to remember that any cash saved at home could be lost in a fire or natural disaster. The ultimate hiding place is a **fireproof safe** bolted to the floor, and even that isn't fool-proof. The ideal spot for storing large amounts of cash is an online savings account far away from your house and any potential danger. But for the small amounts you stash at home, take the time to put it out of sight.

Also, remember to tell a spouse or close friend about the money in case you are not able to get to it (you die, or become injured or ill and cannot communicate). Keep enough cash on hand to cover you a few days in a major emergency, but not so much that you'd be completely wiped out if it all disappeared.