Welcome to the SeaComm Federal Credit Union podcast. Your guide to financial information and what's going on at your credit union.

We all know that saving money is important. However, when it comes to choosing what to save for, one choice that has lasting implications is whether to save in your emergency fund or save for retirement. Studies have shown that many don't have enough cash on hand to cover even relatively small unexpected expenses. In fact, according to a survey from the Federal Reserve in 2018; some 40% of Americans would struggle to come up with $400 to pay an unexpected bill. In addition, an insurance industry report found that 21% of Americans have no retirement savings at all.

The question is, when you're starting from scratch, do you start padding the emergency fund or jump right into retirement savings? Here are some things to consider to help you make a good decision.

If you have no liquid savings whatsoever, then beginning to build an emergency fund is a good place to start, especially if your current employment situation is less than stable. If that's the case in your job, emergency savings will need to be a priority. The account should be large enough to pay your living expenses for anywhere from 3 to 6 months. Emergency savings are also important if you have a high debt load with student loans, credit cards, vehicle loans or even a mortgage, should something happen to your employment you still need to service that debt. If you would have to use credit to pay an unexpected expense then your emergency savings account is not large enough.

While an emergency fund is crucial, especially in pandemic times like these, there are some reasons to prioritize retirement savings. If you have very little debt and your employment is stable, your emergency fund probably doesn't need to be quite as large so you can move into saving for retirement.

Many employers provide some sort of matching contribution to a 401(k) retirement plan. A matching contribution is free money. If your employer offers it, it's a strong reason to contribute enough to qualify for the maximum match. In addition, the sooner you get started saving, the more you'll have accumulated when it's time for retirement.

In a perfect world, you'll be funding both an emergency fund and your 401(k) plan at the same time. Nevertheless, in many situations, that might be a little unrealistic. This is especially true if you are young and trying to establish yourself in a new job. You'll most likely have to choose to fund one account or the other. But, you're on the right track if you're saving money at all, whether that's in an emergency fund or a 401(k) plan.

Hopefully, as you gain skills and experience, your income will increase and you'll be in a position to fund both accounts regularly.

That's it for this edition of the SeaComm Federal Credit Union podcast. Thanks for joining us!