



*Kathy Kali*

COACHING & CONSULTING

# Financial Fitness

MODULE 4: Baby Step 3(The Fully-Funded  
Emergency Fund) & 3b(Down Payment)

## **CLASSWORK**

- \*Check-in on Money & Life
  - \*Baby Step 3 & 3b(The Fully Funded Emergency Fund & Home Down payment)
  - \*Budget Busting~Percentages & more!
  - \*Working Your Baby Step
- Homework

## **HOMEWORK**

1. *Fill out your Budget(either Cash Flow Planning Form or software like [www.everydollar.com](http://www.everydollar.com))*
2. *Fill out Making Margin worksheet*
3. *Keep working your Wealth Step!*



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## Baby Step 3: The Fully-Funded Emergency Fund



*Have 3-6 months of expenses in the bank~average household has \$10,000*

\*Ask yourself, "What would it take for me to live for three to six months if I lost my income?" Your answer to that question is how much you should save. Use this money for emergencies only: incidents that would have a major impact on you and your family: unexpected household repairs, car dying & needing to be replaced, medical bills, etc. Keep these savings in a money market account. Remember, this stash of money is **not** an investment; it is insurance you're paying to yourself, a buffer between you and life.



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\*This savings is essential before you start investing in assets such as real estate, or investing in the stock market, because it is liquid cash. Investments are often not quickly liquidated.

\*\$10,000 in the bank is an average household emergency fund. Some people want a little more, a little less. If you have a very secure job and your spouse is working, you can lean toward 3 months of expenses. If you are single or do not have a secure job, lean toward the 6 months rule.

How much do you need each month to cover your expenses? Multiply that by 3 or 6 to get your “Fully-Funded Emergency Fund” number:



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## Why wait to buy a house until you have your Fully-Funded Emergency Fund?

Baby Step 3 protects you from problems with your primary residence. Too often people skip to Baby Step 3b and buy a home without an emergency fund. Inevitably major repairs are often required, and they have no cash!

*This happened to a woman I know who purchased a home without an emergency fund. The plumbing, which had been fine upon inspection, went out, to the tune of \$10,000. That was \$10,000 she did not have, nor did she have credit. She had to scramble and hustle, which was extremely stressful for her and hard on her personal relationships.*

Overall, Baby Step 3 keeps the drama in your life to a minimum. If you need to fly your whole family out of state for a family emergency, you can handle that, no problem. Yes you can manifest cash at the last minute. I did that for years. But I prefer the “pay out of savings” method now. It is much less stressful.



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## **Baby Step 3b: Save Down payment**



Once you have your 3-6 Months of Expenses in savings, you can save your down payment for a home. Save 20% of your home purchase price to avoid paying private mortgage insurance. In addition, a 15 year fixed rate mortgage is recommended because that will enable you to pay off your home quicker in Baby Step 6. It is also important to keep your home mortgage expenses(including taxes & insurance) to less than 33% of your take-home pay.

Many people overspend on homes. Just because the U.S. housing market is inflated doesn't mean we all get a pass on math. If your mortgage is huge then you are "house poor" with not much money leftover for other things, like saving & fun!



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## **How to Save Baby Step 3 & 3b**

If you have a monthly budget, and are out of debt, you are experienced at making margin every month to funnel money toward your goals. Simply take the money you were throwing on the debt and throw it in a savings account. Continue to “make margin” by upping income and reducing expenses.

At the end of my debt snowball I was funneling \$1000 a month to pay off debt. When I was done, that \$1000 a month easily built up my fully funded emergency fund in less than a year. I then took another year and a half to save up my part of a down payment on a home I purchased with my new husband.

It's okay to relax a little after Baby Step 3 as well. If you want to add a little more lifestyle back, take a vacation, or pull back on the overtime, you can. You have paid off the debt and saved your emergency fund. You deserve it!



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Kathy ~ is a Conscious Money & Business Coach, Founder of Conscious Living Fair and the Creator of the Wealthy Woman Signature Program, as well as Wealthy-Preneurs Changing the World facebook group~ where you build wealth to help you fulfill your mission & purpose.

For 20 years Kathy has built several successful healing businesses which helped her to fund a middle-class lifestyle, support spiritual teachers & charities, purchase a home and create investments. As she has prospered, Kathy also has coached other entrepreneurs to build their businesses and increase their net worth.

On average Kathy's students and clients pay off debt/save \$5-15,000 every 3 months. Kathy's mission is to help 10,000 coaches & healers become wealthy so that we can all make the world a better place! She gives heart-centered entrepreneurs a practical plan so that they can have total business "Zen" around manifesting money and building wealth.

[www.kalicoaching.org](http://www.kalicoaching.org)