

 But big bills for Christmas gifts or back-to-school supplies are predictable and definitely not emergencies.

* **It’s essential.** You can’t get by with a massive water leak in the basement, a blown engine in the family car or severe dental pain. But a vacation, bigger TV or new spring wardrobe aren’t essential purchases.
* **It’s urgent.** Some things are unexpected and essential, but not urgent (like the shocks on your car needing replacement sometime in the next few months). Other things are unexpected and urgent, but not essential (like a massive close-out sale at your favorite store). However, your furnace unexpectedly breaking down in -20° weather is definitely an urgent and essential need.

Think of your emergency fund as an insurance policy that protects you from potentially disastrous expenses. And never use it unless you absolutely have to!

Of course, the first consideration is, do you have an emergency fund? It’s a special account you’ve set aside for the sole purpose of getting you through emergencies. (Saving accounts, on the other hand, let you save money in advance for future purchases of a non-urgent nature.) The temptation is to dip into your emergency fund for non-emergencies. Here’s how to tell if a situation really is an emergency:

* **It’s unexpected.** You can’t anticipate natural disasters, job layoffs or catastrophic illnesses.

Stop and think before you dip into your emergency fund.