PERSONAL FINANCE

# Here’s how much cash you need to ride out a recession at different life stages, according to financial advisors

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## KEY POINTS

- More than half of Americans are now concerned about their emergency savings, up from 44% in 2020, according to a Bankrate survey.
- Experts cover how much people at different stages of life — including single and dual-income families, small-business owners and retirees — should set aside.

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With the threat of a recession looming, more financial experts are [sharing how to prepare]() — including how much cash it may be smart to set aside.

The end of June marked a turbulent six months for the [S&P 500 Index](), which dropped by more than 20% since January, capping its [worst six-month start to a year since 1970]()

The future may be unclear, but stock market volatility, soaring inflation, geopolitical conflict and supply chain shortages have weakened Americans' confidence in the economy.

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Indeed, more than half of Americans are now concerned about their level of emergency savings, up from 44% in 2020, according to a June survey from Bankrate.

Many are concerned about falling short: Nearly one-third of Americans have less than three months of expenses in savings, and almost one-quarter have no emergency fund, Bankrate found.

Although rock-bottom returns made cash less attractive over the past several years, that may be changing as interest rates move upward. And experts say there's a value in the peace of mind savings brings.

Here's how much in cash savings you need at different times in your career, according to financial advisors.

## Dual-income families: Save at least 3 months' worth

The typical recommendation for dual-income families is savings worth three to six months of living expenses, said Christopher Lyman, a certified financial planner with Allied Financial Advisors in Newtown, Pennsylvania. The reasoning: Even if one earner loses their job, there are other income streams to help the family keep up with expenses.

## Single earners: Put aside 6 months or more

However, households with a single earner may benefit from boosting savings to six to nine months worth of expenses, Lyman said.

For both single earners and dual-income households, some advisors say it's better to have higher cash reserves to provide "more options" and added flexibility in case of a job layoff. Recessions typically go hand in hand with higher unemployment, and finding a new job may not happen quickly.



Catherine Valega, a CFP and wealth consultant at Green Bee Advisory in Winchester, Massachusetts, suggests keeping 12 to 24 months of expenses in cash.

Personal finance expert and best-selling author Suze Orman has also recommended extra savings, and recently told CNBC she pushes for 8-12 months of expenses. "If you lose your job, if you want to leave your job, that gives you the freedom to continue to pay your bills while you're figuring out what you want to do with your life," she said.

## Entrepreneurs: Set aside 1 year of expenses

With more economic uncertainty, Lyman recommends entrepreneurs and small-business owners try to set aside one year of business expenses.

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>
> —Christopher Lyman
>
> CERTIFIED FINANCIAL PLANNER WITH ALLIED FINANCIAL ADVISORS LLC

## Retirees: Reserve 1-3 years of expenses in cash

With soaring inflation and relatively low interest for savings accounts, large amounts of cash may be a tough sell for some retirees. However, experts suggest keeping one to three years of expenses readily available.

"Having a sufficient cash buffer is a critical element to making your money last in retirement," said Brett Koeppel, a CFP and founder of Eudaimonia Wealth in Buffalo, New York.

Having enough cash on hand can limit the need to sell assets when the market is down, a misstep that could drain your retirement balances faster.

Of course, the exact amount of cash to keep on hand in retirement depends on monthly expenses and other sources of income.

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For example, if your monthly expenses are $5,000 per month, you receive $3,000 from a pension and $1,000 from Social Security, you may need less in cash, around $12,000 to $36,000.

"This allows you to maintain your longer-term investments without the risk of selling when the stock market is down," Koeppel said.

## How much to save is a 'very emotional topic'

There's some flex in the "right" amount. Money is a "very emotional topic," Lyman admits, noting that some clients veer from his savings recommendations.

"Some people are uncomfortable having that much money 'on the sideline' and not earning anything, especially right now when stocks look to be providing a great buying opportunity," he said.

Others were "cautious" before and now feel "thoroughly worried about the market," which motivates them to save significantly