

PERSONAL FINANCE

# How to balance retirement and emergency savings in a shaky economy

PUBLISHED FRI, JAN 6 2023-2:31 PM EST | UPDATED FRI, JAN 6 2023-2:43 PM EST




**Kate Dore, CFP®**  
@KATEDORE

SHARE [f](#) [t](#) [in](#) [✉](#)

## KEY POINTS

While there are higher 401(k) contribution limits for 2023, you shouldn't skip building an emergency fund just to max out your retirement plan, experts say.

If your rainy day fund is short, experts suggest contributing enough to your 401(k) to get the full company match and then diverting money into savings.

 **Closing Bell** WATCH LIVE

UP NEXT | **Closing Bell** [Listen](#)  
04:00 pm ET



JAMIE GRANT GETTY IMAGES

It's not easy to prioritize financial goals, especially when choosing between two essentials in an unsteady economy: saving for retirement or building your emergency fund.

While there are [higher 401\(k\) contribution limits](#) for 2023, you shouldn't skip rainy day savings to max out your retirement plan, experts say.

Indeed, more than half of savers are [prioritizing short-term financial goals](#) in 2023, including emergency savings, according to a [recent study](#) from Fidelity Investments. And a recent Personal Capital survey found [building an emergency fund](#) is a top priority for 2023.

**More from Personal Finance:**

[Extra time for spending 2022 funds in your health-care FSA](#)

[You can avoid a 'surprise tax bill' with a fourth-quarter payment](#)

[How to pay down credit card debt as APRs head to new highs](#)

“It's always a balance,” said certified financial planner Catherine Valega, founder of Green Bee Advisory in Boston. While maxing out your 401(k) should be the goal, your emergency savings is also important, she said.

Leslie Beck, a Rutherford, New Jersey-based CFP and owner of Compass Wealth Management, said she has a “rule of thumb” for how to decide between retirement and emergency savings.

She always recommends contributing enough money to your 401(k) to get the full company match. Then, [if your emergency savings are short](#) after that, you should “definitely” divert the funds, she said.

**How to know if your emergency savings is enough**

**TRENDING NOW**



**'We were duped': How George Santos raised money from wealthy GOP donors while lying about his resume**



**Bob Iger tells Disney employees they must return to the office four days a week**



**I talked to 70 parents who raised highly successful kids—here's the No. 1 parenting style they used**



**I'm a psychologist in Finland, the No. 1 happiest country in the world—here are 3 things we never do**



**Goldman Sachs is cutting up to 3,200 employees this week as Wall Street girds for tough year**



Comstock Images | Stockbyte | Getty Images

## FROM THE WEB

### Man Who Predicted Lehman Crash Says Get Ready For ...

Investing Outlook

### Massachusetts: Program Covers The Cost To Install...

[energybillprogram.com](http://energybillprogram.com)

If you're single, Beck suggests keeping "close to a year's worth of essential expenses" to cover necessities such as your home, food and utilities.

"You should have a year's worth [of essential expenses] in case there's a downturn in the employment market, which we may or may not be heading into," she said, noting that it often takes longer than expected to find a job after a layoff, especially for higher-compensated employees.

However, her recommendation changes for dual-earning couples. "I cut that back to six months, maybe even three months, depending on what industry you're employed in," she said.



**VIDEO** 03:02

## How to recover from a holiday debt hangover

And there may be some flexibility if you have access to a [home equity line of credit](#), which may be another [source of cash for emergency expenses](#), Beck said. But you need to be "very judicious" when tapping equity because borrowing after a job loss can put your home at risk, she said.

Valega suggests an emergency fund of 12 to 18 months of expenses, admitting that she’s “more conservative than most,” but says the exact number depends on your career sector and personal preference. For example, she may encourage clients in tech to set aside more than health-care workers.

---

## Closing Bell

UP NEXT | **Closing Bell** 04:00 pm ET

WATCH LIVE

---

### MORE FROM CNBC

**How to retire with \$2 million on a \$100,000 annual salary**

.....  
**Several factors could make 2023 a disinflationary year, says Fed’s Bullard**

.....  
**Jim Cramer gives his thoughts on Salesforce layoffs**

.....  
**Secure 2.0 changes 3 key rules around required withdrawals from retirement accounts**

.....  
**Jim Cramer says more tech layoffs are coming after Salesforce cuts 10% of its headcount**

.....  
**Fed will deliver more than the market’s expecting, says BofA’s Ethan Harris**

---

### FROM THE WEB

**The Highest Rates On CDs With No Penalties For Seniors**

CD Rates Seniors

[Learn More](#)

.....  
**Man Who Predicted Lehman Crash Says Get Ready For A 2023 “Cash Frenzy”**

Investing Outlook

.....  
**These 5 Stocks Look Like Screaming Buys After Market Pullback**

The Motley Fool

by Taboola

---

## MORE IN PERSONAL FINANCE

**Where to keep your cash amid high inflation and rising interest rates: It’s**