

Unexpected Expenses

7 Tips for Handling Unexpected Expenses and Financial Emergencies

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Sooner or later, most of us will face a major, unexpected expense that can put our finances in turmoil. Examples of a difficult, unexpected expense might be a major home or car repair, or a big bill for a medical or dental procedure. A pet emergency, a death in the family, or relocation can also lead to thousands of dollars in expenses that need to be paid fast.

For many people, events like these can cause stress and budget problems that last for months or even years. In fact, in 2019 nearly 3 in 10 adults were either unable to pay their monthly bills or were one modest financial setback away from not being able to pay them in full, according to a report from the [Federal Reserve](#).

If a costly emergency strikes and you don't have an adequate emergency fund, the key is to be proactive.

Here are some tips to help you deal with unexpected expenses and be better prepared for next time.

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1. Ask about payment plans for unexpected expenses

Depending on who you need to pay, you may be able to work out a payment plan to handle the debt, rather than struggling to pay the bill all at once.

Explain your situation, and see if the company will help you work out an arrangement you can manage. Some may be willing to extend the due date for your bill, or spread payments over several months until you're paid in full.

[Hospitals and other healthcare providers](#) are often willing to handle patient bills this way. Similarly, businesses that offer major home repairs, such as a new roof or HVAC system replacement, may offer a reasonable payment plan so you can get the work done even if you can't pay the entire amount at once.

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If they have resources available, family members or friends may be willing to help you pay for a major unexpected expense. Before you ask, think through how borrowing from them could affect your relationship. If you ask for assistance and they agree, iron out the details to establish clear terms for any loan, including any interest charges and the repayment period.

Some employers have policies in place to help you pay for emergency expenses. For example, a salary advance allows you to borrow from yourself. Then you would repay the borrowed amount through payroll deductions from future paychecks. You may also be able to borrow from a permanent life insurance policy or [your retirement fund](#). Just be sure you have a clear understanding of the terms and conditions if you choose this route.

3. Carefully explore credit card options

A credit card could also be useful, if your credit limit is high enough. Ideally, you'd look for 0% or low interest rate offers, with the goal of paying off the balance during the introductory period. A cautionary note: A credit card may not be the best solution if it has a high interest rate or you can't pay the balance during the introductory rate period.

If you choose to use a credit card to fund an unexpected expense, make sure to look at all your options to find the best fit for you. [Responsible use of credit cards](#) has several benefits, but you don't want to overextend yourself.



4. Apply for a personal loan

A personal loan is usually a fixed-rate loan that is [unsecured](#), meaning you don't need to put up collateral to get one. Personal loans can range from \$2,500 to \$40,000 or more. When you need quick access to funds to cover a large unplanned expense, a personal loan could be a good solution. With some lenders, such as Discover Personal Loans, money can be sent as soon as the next business day once you're approved and accept the loan.

One benefit of a personal loan with a fixed rate is that the interest rate and your monthly payment never change. There's typically a set payoff date, and you know the total amount owed from the beginning of the loan. Your interest rate on a personal loan could also be lower than what you'd pay with a high-interest credit card, making it a potentially better option.

Additionally, it might be helpful to use the funds you get from a personal loan to consolidate higher interest debt you already carry, which could give you the funds you need to handle an unexpected expense while saving you money on interest.

If you go the personal loan route, consider key factors before choosing a lender. Make sure you understand the total cost of the loan, including all fees.

Your best option is to find a lender, like [Discover Personal Loans](#), that doesn't charge application fees, origination fees, or prepayment penalties.

5. Sell high-value items and cut expenses

Take a good look at your [spending habits](#): Start by prioritizing the bills that are non-negotiable, and then determine where you can cut back. Maybe you can suspend gym memberships or other subscriptions or decide to eat more meals at home until your big bill is paid off.

When you look around your home, do you see items of value you can live without? Clothing, jewelry, handbags, antiques, electronics, or even unused gift cards can all be sold to generate cash quickly. Look for reputable online marketplaces or roll up your sleeves and have an old-fashioned garage sale.

What about your car? If walking, ride sharing, or public transit are viable options where you live, you might explore selling your vehicle. It may seem like a big move, but this short-term sacrifice could bring a check that's big enough to pay for that major expense, and you'll learn whether you really needed the vehicle. If you can eliminate a car, you also nix its operating costs and insurance premiums; that money can go toward your big emergency expense.

6. Increase your income

When confronted with a serious gap in your finances, it's time to get resourceful. You may be able to pick up an extra shift at your current job or land a second job to bring in additional income.

For example, seasonal work over the holidays or during a busy tourist season usually doesn't call for advanced qualifications and employers don't expect a long-term commitment. Working two jobs can be demanding, but you'll make it through if you see light at the end of your financial tunnel.

Another option is to start a side hustle. Maybe you have a creative passion outside of your day job, like photography, art, or other "maker" pursuits, and you could sell your creations online or at local events.

Other popular opportunities for additional income include driving for a ride-share company or becoming a vacation rental host. Or you could keep it simple: cut grass, walk dogs, or take care of pets and homes for people when they're out of town.

7. Prepare for the unexpected with an emergency fund

Expensive emergencies can deal a serious blow to your finances. Although you can't anticipate the details of such an event, you can take steps to be better prepared if one does arise. To ensure that an emergency expense is a setback and not a full-blown financial crisis, start by creating an emergency fund if you don't already have one.

Most financial experts recommend a target of 3-6 months of living expenses to ride out a financial emergency, but you can start with a smaller goal: Even \$1,000 can make a dent in a big bill.

Next, create a budget that factors in your emergency fund, as well as periodic maintenance for your car and home. Anticipate annual bills, like property taxes, and other less-frequent expenses, such as car insurance, if you pay it twice a year rather than monthly. Look for a budget guideline that fits your personal circumstances. One that's been helpful to many people is the [50-30-20 rule](#).

And finally, continue to live within a budget, even as your income increases. This sets the groundwork to grow savings and prepares you to make necessary changes if you're hit with a financial emergency.

When the unexpected happens, you want to be in a position to tackle the situation immediately. Assess your financial picture, then figure out the quickest and easiest way to pay for the expense.

Once you've determined how to pay the bill, come up with a budget and an action plan to identify the expenses that could be preventing you from saving more money. It will take work and discipline, but you'll gain peace of mind and confidence that you can handle the unexpected.

Want to learn how to spend less and save more? Read about [how to manage your money better](#).

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