Don’t Have an Emergency Fund? Here’s How to Come Up With $1,000 in a Dire Situation

Description

Imagine you need money — and *fast*. A surprise bill, bald tires, a busted HVAC, or even just an extra bump to help you fight back inflation — whatever the cause, you need a $1,000. And you need it in your bank account now.

Yeah, you could pick up a side hustle, go around delivering groceries for a day, walking dogs, or rummaging in your junk for something to sell. But let’s say you don’t have time for that. Let’s say you work a full-time job, have kids or other obligations, and you can’t just stuff $1,000 worth of time into your schedule. What then?

Putting aside for a moment high-interest debt, like loans and credit cards, you have a few options. Here’s how I would come up with a $1,000 in a dire situation.

1. Look at your TFSA or RRSP

If you have money sitting in a TFSA or RRSP, an emergency expense is a good excuse to withdraw funds. This might entail transferring cash out of an account, selling investments, or even breaking GIC contracts.

Look at your TFSA first, as withdrawal rules are much less cumbersome. When you withdraw money from an RRSP, you’ll likely pay a withholding tax as well as include your withdrawal amount in your taxable income.

Again, this is only for an emergency expense. Normally, I would discourage making early withdrawals from your retirement accounts, as you might have to liquidate high-quality investments. But if these accounts help you avoid high-interest debt, it might be the wiser choice.

2. Tap into your home’s equity

Homeowners with equity in their homes already have an emergency fund, even if it's not liquid yet. All you need is a way to tap into your equity — that is, a *HELOC.*

A HELOC (home equity line of credit) is basically a line of credit that's secured to your home. You can get a HELOC through a lender, who will usually let you borrow up to 65% of your home's market value. Similar to credit cards, your HELOC are "revolving" lines of credit, meaning you can borrow up to a limit, pay it back, then borrow it again.

You'll pay an interest rate on your HELOC, but don't worry: the interest rates are typically lower than credit cards and personal loans. They're also variable (meaning they can fluctuate), and they're often tied to the lender's prime rate.

Because interest rates are variable, they can rise, as the Bank of Canada continues to hike the prime rate. That said, the rates will still be lower than most personal loans.

3. Get a low-interest credit card

Finally, you can always take out a low-interest credit card.

The keyword there is *low interest*. Because you're going to carry a balance on a credit card (assuming you don't have the cash to pay off your balance in the first month), you don't want a card with a high APR. You don't even want a card with an average APR. You want a card that has a *low* APR.

How can you find a card with a low APR? Many cards offer low interest rates as a promotion, usually around 12 months of low interest. If you can pay off what you borrow in the promotionally low interest period, you could save a lot of money.

If you *did* charge a large amount to a credit card with a high interest rate, and you don't have the money to pay it off, you have another option: a balance-transfer credit card.

Much like a low-interest credit card, a balance-transfer card offers you a low APR for a specific period of time. The catch? You have to transfer a balance from one card to the balance-transfer card, which will cost you (usually a percentage of the balance). Give the extremely low APRs on these cards, however, it's usually in your best interest to do so, especially when the balance on your high-interest credit card is large.

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