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Emergency Fund Short-term Cash: Keeping Up with Inflation



[Susan Carr-Templeton](#) on 04.05.10 at 8:21 PM | [1 comment](#) | [Like](#)

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In my last blog, I discussed what you should consider when you're trying to decide how to invest cash for your emergency fund.

If you are looking for something with a higher return and are willing to take on a little more risk, you may want to consider a savings option that has limited price fluctuation (unlike a CD or money market fund that has a fixed value) and where the cash is readily available in case you have an emergency.

Rather than investing directly in bonds and tying up your money, I suggest you consider a liquid bond fund of short duration*. This means that the fund's manager has invested in bonds that have a short duration and you can cash out easily in an emergency.

For emergency funds, I recommend these two bond funds (you can purchase either of these funds directly through the company that issues them or through your investment/brokerage account.

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Today's

- [Goldman Sachs](#) offers a short-term government bond fund (GSTGX) yielding 1.34 percent at the time of this writing. Due to the increase in the value of the underlying bonds, this fund has returned (including dividends) 0.80 percent through March 30. This fund invests only in government securities.
- [Vanguard](#) also has a short-duration bond index fund (VBISX) that has a current yield of 1.44 percent and has returned 1.05 percent through March 30. This fund invests in government bonds and high quality non-government fixed income securities.

*Duration measures price sensitivity of fixed income investments to changes in interest rates. As an everyday investor, all you need to know is that the lower the duration, the less fluctuation in the underlying value when interest rates go up (or down).

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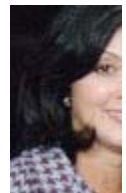
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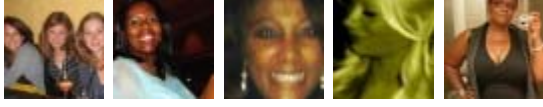


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