

INVESTOR BEHAVIOR · FINANCIAL RESILIENCE STUDY

Should You Invest Without an Emergency Fund?

A proprietary study of 1,214 retail investors comparing how financial preparedness — or its absence — shapes asset allocation, time horizon and behavior under stress.

52%PANIC SELL
WITHOUT SAVINGS**27%**PANIC SELL
WITH SAVINGS**3.4×**MORE FORCED SALES
WITHOUT BUFFER

Table of Contents

01	Executive Findings	3
02	Introduction & Research Questions	3
03	Glossary	4
04	Institutional Validation	4
05	Theoretical Framework	6
06	Methodology & Research Team	6
07	Survey Results	7
08	Practical Implications	10
09	Conclusion	11
10	Data Sources & References	11

01 Executive Findings

TU

TU research shows the presence of emergency savings significantly changes how retail investors behave in financial markets — from asset selection to reactions under stress. Among 1,214 retail investors surveyed, financial preparedness emerged as the single most decisive factor separating disciplined investing from reactive behavior.

- ✓ **Emergency savings reduce reactive behavior.** Panic selling is reported by **52%** of investors without reserves, compared to only **27%** with a 3+ month buffer.

✓ **Liquidity directly affects forced decisions.** Investors without savings are more than three times as likely to repeatedly sell assets due to urgent financial needs (**41%** vs **12%**).

✓ **Investment patterns differ by financial stability.** Investors without a cushion show higher exposure to crypto (**42%**) and Forex/CFDs (**27%**); those with savings concentrate in ETFs (**54%**) and mutual funds (**31%**).

✓ **Time horizon expands with financial security.** Only **15%** of investors without reserves operate with a 3+ year horizon, compared to **31%** of those with savings.

✓ **Financial awareness does not always align with behavior.** While **58%** say savings should come first, many still invest before reaching financial stability.

✓ **Liquidity influences the ability to stay invested.** Investors without buffers are significantly more likely to exit positions under pressure — both market stress and personal financial needs.

Risk warning: Investing involves risk of loss. This research is informational only and is not investment advice.

02 Introduction & Research Questions

TU

Emergency savings are usually seen as a safety measure — but they may also shape how investors behave in the market. As investing becomes more accessible, many individuals participate without sufficient financial buffers.

Institutional research from the Federal Reserve (SHED) and FINRA Foundation (NFCS) consistently highlights the link between financial resilience and financial behavior. However, these studies focus primarily on access, participation and capability — leaving a critical gap in understanding how financial preparedness affects real investment behavior under pressure. TU Research examines whether this gap translates into measurable differences in how investors take risk and respond to market stress.

The study focuses on five key questions

- Does the presence of an emergency fund influence asset allocation?
- Do financially prepared investors have longer investment horizons?
- Are investors without emergency savings more likely to sell assets under financial pressure?
- Is panic selling more common among investors without a financial cushion?
- What do investors consider the correct first step: building savings or investing?

Emergency fund

Liquid savings sufficient to cover essential expenses during income disruption — typically 3+ months of living costs.

Financial resilience

The ability to absorb financial shocks without forced changes to long-term plans, including investment positions.

Forced selling

Liquidating investment assets to cover urgent personal expenses, regardless of market conditions or strategy.

Panic selling

Exiting positions during market declines driven by emotional response rather than analytical reasoning.

Liquidity constraint

A condition where insufficient available cash limits financial flexibility and increases pressure to convert assets.

Investment horizon

The expected duration for which capital is committed before being needed for other purposes.

CAWI

Computer-Assisted Web Interviewing — an online survey methodology for standardized data collection.

04 Institutional Validation

The **Federal Reserve's Survey of Household Economics and Decisionmaking (SHED)** shows a significant share of households remains financially vulnerable, with only about half able to cover three months of expenses using savings. This highlights a structural issue: many individuals operate without a sufficient financial buffer while still participating in financial markets.

The **FINRA Foundation's National Financial Capability Study (NFCS)** reaches similar conclusions. Fewer than half of respondents report having a 3-month emergency fund, while willingness to take financial risk remains limited. At the same time, a substantial portion already hold investment products — suggesting a disconnect between financial preparedness and market participation.

The **OECD** shows that financial resilience — including emergency savings — is a core component of financial well-being and directly affects individuals' ability to absorb shocks and make long-term decisions. Its research defines financial resilience through factors such as having a financial cushion, the ability to cope with financial shortfalls, and behaviors related to long-term planning.

The **Bank for International Settlements (BIS)** adds a behavioral dimension: households with limited liquidity are more sensitive to income shocks and market volatility, which can lead to premature liquidation

of assets and suboptimal investment outcomes. Research from the **NBER** shows liquidity constraints play a critical role in investor behavior, particularly during downturns, when financially constrained individuals are more likely to sell assets at a loss. From a regulatory perspective, the **U.S. SEC** highlights the risks associated with expanding retail participation without adequate safeguards, noting that complex, opaque and illiquid assets require strong investor protections, disclosures and diversification mechanisms.

Key institutional takeaways

<p>~50%</p> <p>of households cannot cover 3 months from savings (Fed SHED)</p>	<p>Gap</p> <p>between investing and financial preparedness (FINRA)</p>	<p>Shocks</p> <p>liquidity-constrained sell at a loss in downturns (NBER)</p>
---	---	--

05 Theoretical Framework

TU

From a behavioral perspective, emergency savings can be seen as a stabilizing mechanism that reduces both financial and psychological pressure.

HYPOTHESIS	MECHANISM
Investors without a cushion treat investing as a short-term opportunity	Capital allocated to markets may still be needed for everyday expenses, increasing sensitivity to volatility
Liquidity directly affects emotional decision-making	Without available cash, drawdowns become immediate financial threats — raising panic-sell probability
Financially prepared investors hold longer positions	Independence from invested capital allows tolerance for volatility and avoidance of premature exits

Finally, there is a behavioral paradox: even when investors understand that savings should come first, many still enter markets without a sufficient buffer. This suggests accessibility and market optimism may override financial discipline.

06 Methodology & Research Team

TU

To evaluate how emergency savings influence real investment behavior, TU conducted a proprietary quantitative CAWI study focusing on asset selection, decision-making patterns and responses to financial stress. Unlike institutional studies, this research isolates behavioral outcomes — not just whether people

invest, but how they act under pressure. Participants were segmented based on the size of their emergency fund, allowing direct comparison between financially prepared and unprepared investors.

1,214 RETAIL INVESTORS	Global MULTI-MARKET SAMPLE
18+ AGE RANGE	95% CONFIDENCE
±2.9% MARGIN OF ERROR	CAWI SURVEY METHOD

Eligibility: respondents who made at least one self-directed investment decision in the last 12 months.

Research team

Anastasiia Chabaniuk · Author
Research design and interpretation

Chinmay Soni · Fact-checker
Data validation & statistical verification

Dan Blystone · Editor-in-Chief
Editorial & methodological supervision

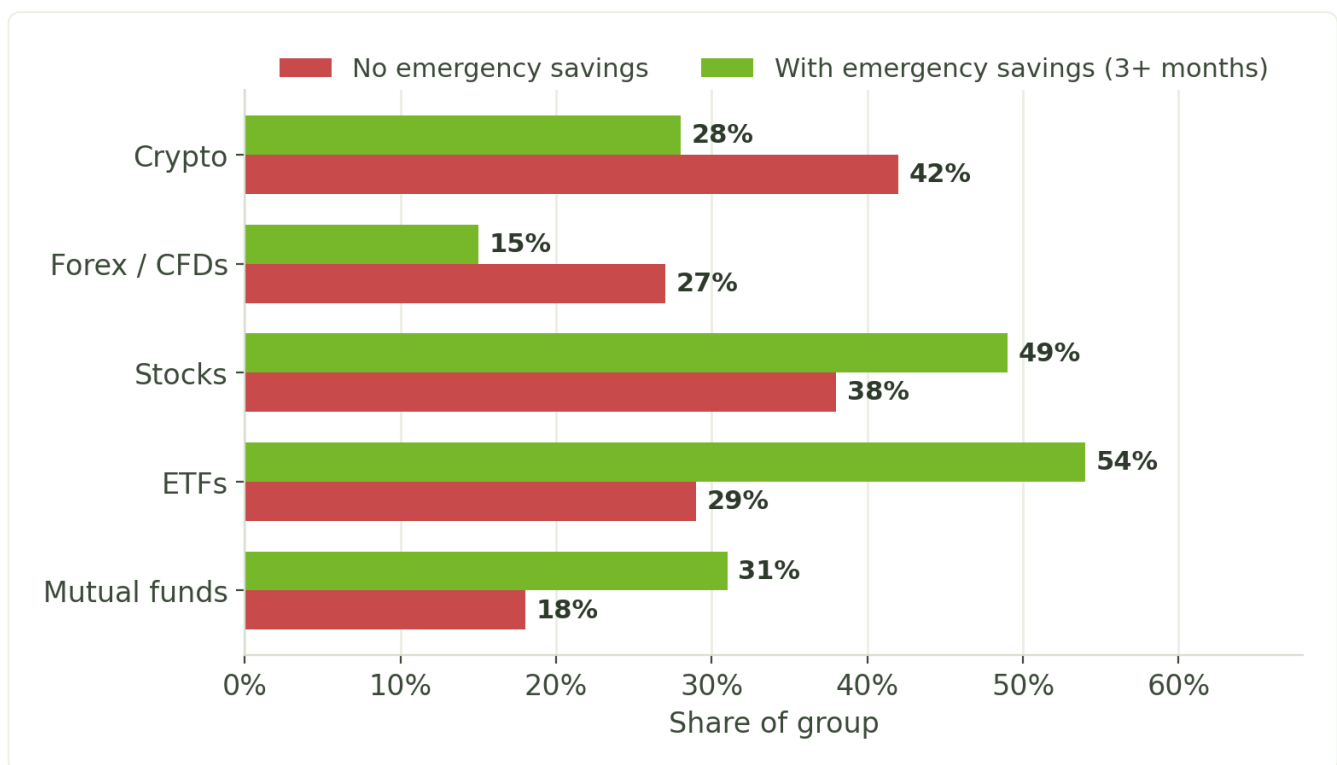
A. Mastykin · **O. Tkachenko** · TU Research
Data collection and analysis

Note. This research is based on validated institutional findings but aims to test behavioral patterns specifically within TU's audience.

Reading the charts: ■ red = investors with no emergency savings (0–2 months) · ■ green = investors with emergency savings (3+ months). The gap between bars in each comparison is the behavioral effect of financial preparedness.

Asset selection

To understand how financial stability affects investment choices, we analyzed asset allocation patterns (respondents could select multiple asset classes).



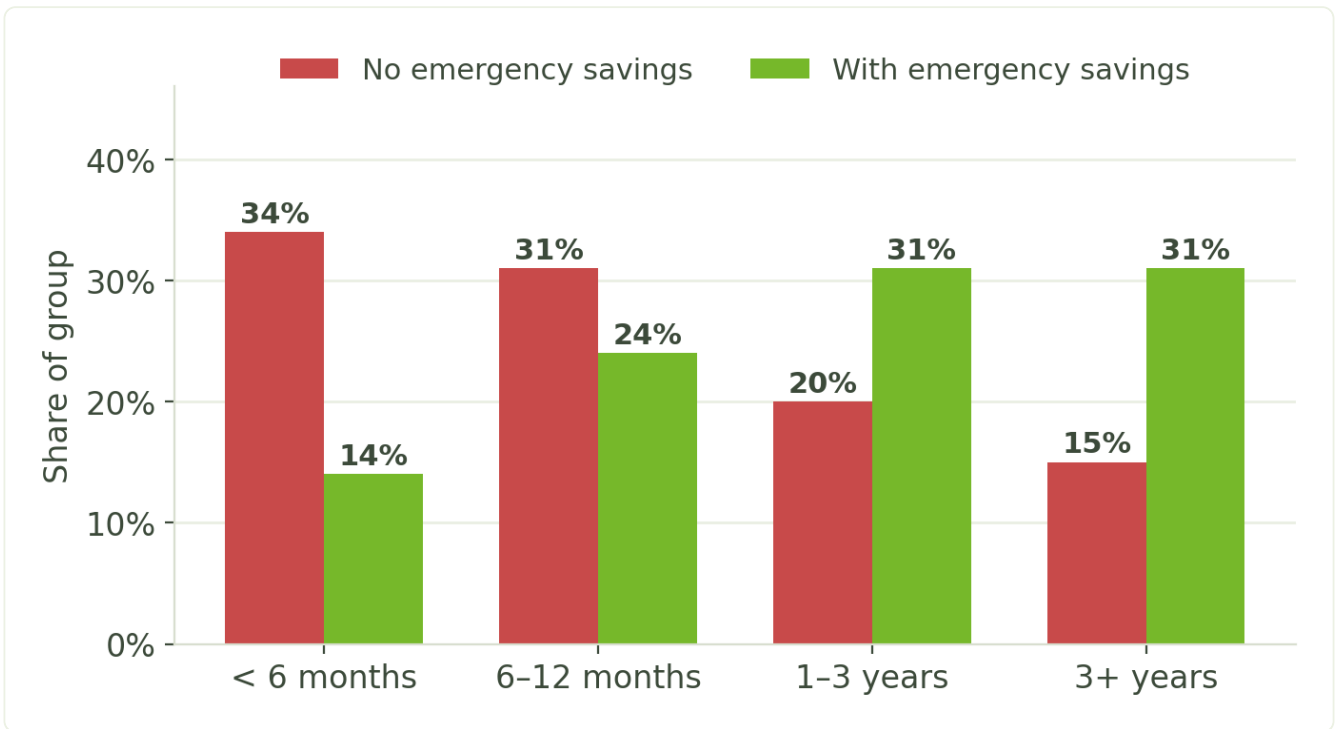
Asset allocation: investors without vs with emergency savings

INSIGHT

Investors without a cushion concentrate in high-volatility instruments (crypto 42%, Forex/CFDs 27%) while remaining underexposed to diversified products. Investors with savings show a structurally different portfolio dominated by ETFs (54%), stocks (49%) and mutual funds (31%). Financial stability is associated with a shift from speculative assets toward diversified portfolios.

Investment horizon

To measure long-term versus short-term behavior, we analyzed declared investment horizons.



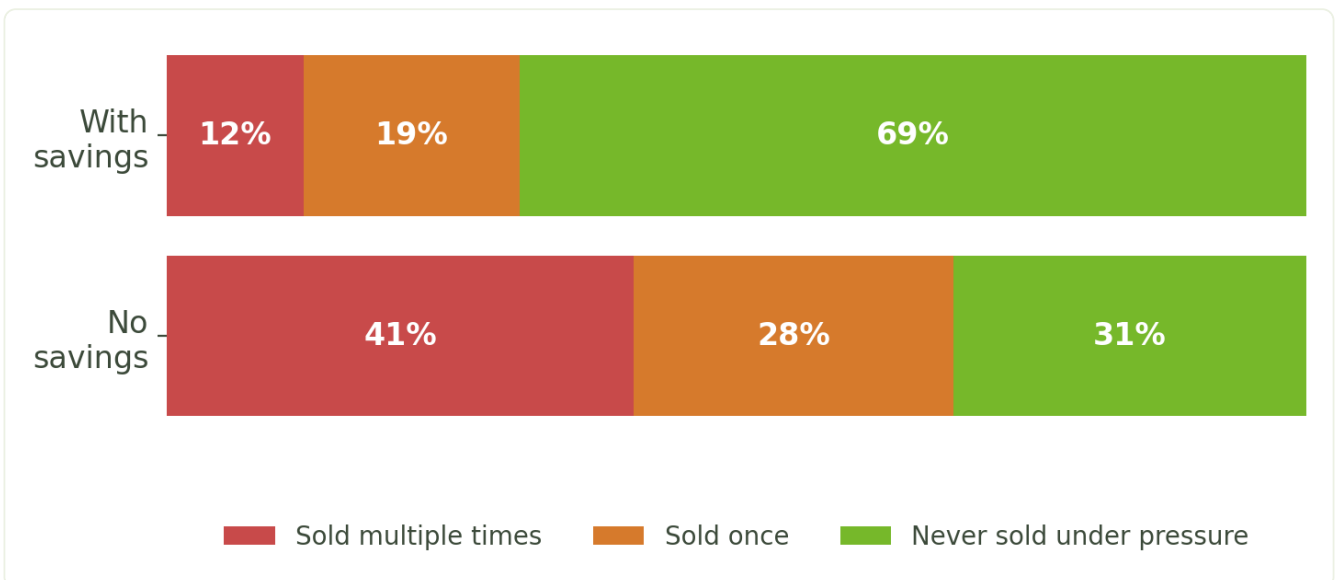
Declared investment horizon by group

INSIGHT

Among investors without reserves, only 15% report a 3+ year horizon; 34% operate in horizons under 6 months. Among investors with savings the pattern reverses — 31% maintain 3+ year horizons. Emergency savings significantly extend investment horizon and enable staying invested during volatility driven by geopolitical and macroeconomic factors.

Forced selling behavior

To assess the impact of liquidity constraints, we examined whether investors had to sell assets due to urgent financial needs.



Forced selling behavior by group

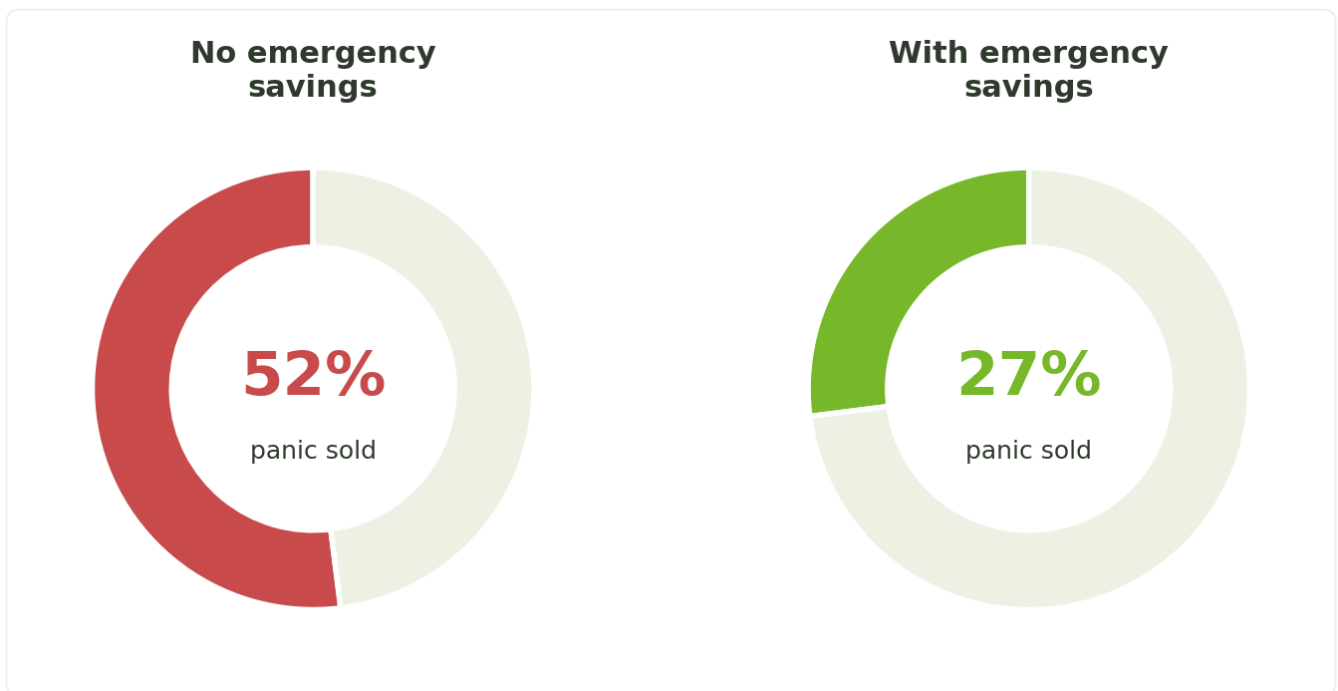
BEHAVIOR	NO SAVINGS (0–2 MONTHS)	WITH SAVINGS (3+ MONTHS)
Sold multiple times (due to cash need)	41%	12%
Sold once	28%	19%
Never sold under pressure	31%	69%

INSIGHT

69% of financially prepared investors never sold under pressure, versus only 31% among those without reserves. Liquidity constraints are one of the strongest drivers of suboptimal investment decisions — turning planned strategy into reactive execution.

Panic selling

To evaluate emotional reactions to market downturns, we analyzed panic selling behavior between the two groups.



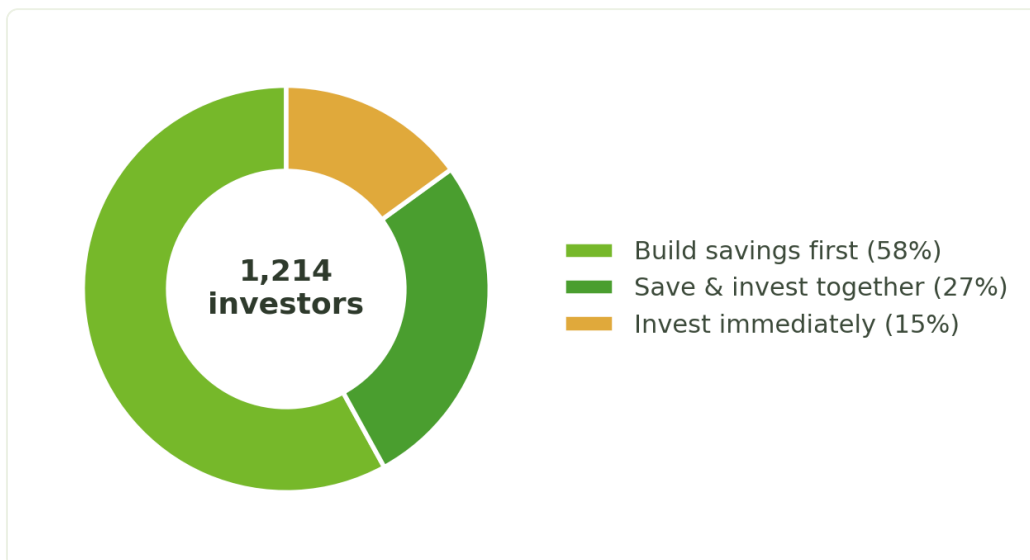
Share of investors who sold during market declines

INSIGHT

More than half of investors without an emergency fund (52%) panic sold during market declines, compared to just 27% among those with savings. Financial buffers reduce emotional reactivity and improve decision stability during market stress.

Financial priorities

To understand investor mindset, we asked respondents what should come first: saving or investing.



What investors believe should come first

INSIGHT

58% say building emergency savings should come first, but a significant share of investors still report having limited or no reserves. There is a clear gap between financial awareness and actual behavior — many investors act before achieving financial stability.

08 Practical Implications

TU

In an environment where investing is increasingly accessible, financial readiness becomes the key differentiator between disciplined strategy and reactive behavior:

- **Separate investment capital from essential funds.** Investors without liquidity reserves are more than three times as likely to face repeated forced selling, turning volatility into realized losses.
- **Build a minimum financial buffer before increasing risk.** Even a 1–3 month reserve significantly reduces panic-driven behavior, which affects over half of financially unprepared investors.
- **Adjust asset allocation to your liquidity level.** Limited reserves are linked to higher exposure to volatile assets, while financial stability enables a shift toward diversified instruments like ETFs and funds.
- **Treat diversification as a function of financial readiness.** More balanced portfolios typically emerge after liquidity stability is achieved, not before.
- **Avoid impulsive decisions under pressure.** A large share of investors act during stress — introducing even a short delay between idea and execution can improve outcomes.
- **Prioritize staying invested over entering the market.** Long-term results depend less on timing entry and more on the ability to hold positions without being forced to exit.

Some investors opt for structured or semi-passive approaches — copy trading, managed accounts, portfolio-based strategies — to reduce impulsive decision-making, especially while still building financial stability. The effectiveness of such approaches depends heavily on broker infrastructure, including execution quality, risk controls, transparency and access to diversified instruments.

09 Conclusion

TU

The research confirms that emergency savings are not just a personal-finance safeguard — they are a structural determinant of investment behavior. Across every dimension measured (asset selection, time horizon, forced selling, panic selling), investors without a financial cushion act significantly more reactively than those with one. The gap is consistent, large and behavioral: 52% vs 27% on panic selling, 41% vs 12% on forced sales, 15% vs 31% on long-term horizons.

The practical implication is straightforward: the most accessible improvement in retail investment outcomes is not a better strategy but a basic liquidity buffer. Even modest emergency savings shift behavior from reactive to deliberate — enabling the discipline that strategies are designed to deliver. In a market where access has democratized, financial preparedness has become the new edge.

10 Data Sources & References

TU

- Federal Reserve (2025). *Economic Well-Being of U.S. Households (SHED)*.
- Federal Reserve (2025). *Economic Well-Being of U.S. Households in 2024 — Savings and Investments*.
- FINRA Investor Education Foundation (2024–2025). *National Financial Capability Study (NFCS)*.
- OECD (2020). *OECD/INFE International Survey of Adult Financial Literacy*.
- Bank for International Settlements (BIS, 2022). *Household liquidity and financial stability*.
- European Central Bank (2025). *Financial Stability Review*.
- National Bureau of Economic Research (NBER, 2022). *Liquidity Constraints and Asset Sales in Downturns*.
- U.S. Securities and Exchange Commission (SEC, 2025). *Investor Advisory Committee Report on Retail Access and Investor Protection*.
- World Bank (2019–2020). *Global Financial Development Report*.
- IdSurvey. *CAWI Methodology Overview*.