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## **Growing Money: The long and short of saving**

When deciding how to invest your hard-earned money, it's important to realize there is no "one-size-fits-all" strategy. How much you invest, the types of investments you choose, your timeline, and tolerance for risk should all factor into your decision-making process. After all, it's your money, and you have to be comfortable with how it's invested.

### **Short jaunt**

First, ask yourself why you're investing and match your strategy accordingly. If your goal is to buy a car next year, then your approach should be different than investing for retirement 40 years away. A shorter timeline (say three years or less) means you probably don't want to take on too much risk.

Consider parking your money in a short-term vehicle guaranteeing a positive return such as a Certificate of Deposit (CD, or Share Certificate). The downside of a CD is that your money is locked up for the term of the CD (early withdrawals usually mean penalties). If you think you might want to tap into that money early, then a traditional money market account (which functions more like a basic savings account) might be better. Money market accounts offer more flexibility to withdraw your money when you need it, but may have other restrictions on the number of withdrawals per month or minimum balance requirements.

### **Long haul**

If you're socking money away for the long haul, and hopefully you are, then your approach should take a different tack. Consider starting an account with tax advantages such as a 401(k) or Roth IRA. If you're lucky enough to have an employer that matches your contribution, take full advantage of it. If you have this option and you're investing less than that amount or not at all, you're turning away free money.

Most importantly, though, if you're in it for the long haul, you want to follow these basic rules.

**Diversify.** If you invest in stocks, spread your money among several of them. If you only invest in one stock and it hits bottom, you're out of luck. But if you own several stocks and one loses value, it can be buoyed by others that perform better. Or, consider buying into a good index fund or low-cost mutual fund. Funds come pre-diversified (you're buying into a company that invests in multiple stocks) and are good for beginners just learning the ropes.

**Tune out the noise.** Don't be distracted by the talking heads on TV. Ignore the media's focus on daily changes because the market naturally fluctuates. You're focused on the long-term, and if history can serve as our guide, you'll do quite nicely by letting the greatest asset you have--time--work for you.

It's never too early to invest and make your money grow. Start by checking with your financial institution about what investment options they offer.

**Bottom Line:** In a 2007 poll, only 33% of Americans said they started saving for retirement in their 20s. Be aware of long- versus short-term investments, diversify, and let time work in your favor.

Sources: [bankrate.com](http://bankrate.com); [fool.com](http://fool.com); [investopedia.com](http://investopedia.com)

### **Stats**

Only 28% of Americans say they save at least the expert-suggested 10% of their income according to a 2008 survey.

*Source:* [consumerfed.org](http://consumerfed.org)

Only 62% of Americans have a savings plan with specific goals, according to a 2008 survey.

*Source:* [consumerfed.org](http://consumerfed.org)

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