

Why Should You Save And Invest?



SAVING VS. INVESTING

What is the difference?

Saving...

Is a short-term commitment to meet unexpected shortfalls.

Investing...

Is a long-term commitment to put money away and let it grow.



Reasons for Saving

- Achieve personal and financial goals
- Build an emergency fund
- Keep funds secure while increasing them

Reasons for Investing

- Plan for long-term goals such as retirement
- See value increase over time
- Take more risk for possibly more return on investment

Watch it grow

Rule of 72 Estimates the length of time (in years) for funds to double with compound interest.

$72/\text{interest rate} = \text{number of years to double}$



COMPOUND INTEREST

Deposit \$5,000 today at 2% interest rate: $72/2 = 36$
(36 years for \$5,000 to double to \$10,000)

Deposit \$5,000 today at 8% interest rate: $72/8 = 9$
(9 years for \$5,000 to double to \$10,000)

Common saving tools



Savings Account

Often used for emergency fund and other short-term savings goals



Money Market Account

Higher minimum deposit and gets a higher return than savings accounts



Certificate of Deposit

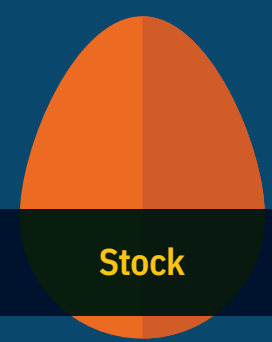
Deposits locked in for specified time, earns interest, and has penalties for early withdrawal



Savings Bond

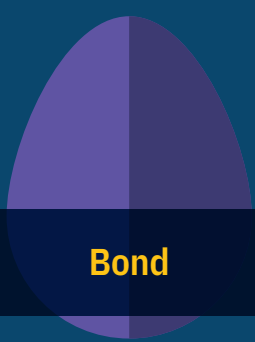
Has low risk and growth, is government issued and backed

Common investment tools



Stock

Ownership of a company that may grow in value or earn dividends



Bond

Money lent to a government or corporation; Earns interest and the face value at maturity



Mutual Fund

Funds invested in a diversified portfolio that may earn dividends



Physical Asset

Items such as art, real estate, and land whose values may rise over time

Diversification



Reduce risk by allocating funds among a wide variety of investments and savings tools.



In other words: Don't put all of your eggs in one basket.