Why should you save and invest?

Diversity! Don’t put all of your eggs in one basket.

**SAVING VS. INVESTING**

**What is the difference?**

**Saving...**
- Is a short-term commitment to meet unexpected shortfalls.
- Helps meet short-term goals.
- Yields lower return with lower risk.

**Investing...**
- Is a long-term commitment to put money away and let it grow.
- Helps meet long-term goals.
- May yield higher return with higher risk.

**Reasons for Saving**
- Achieve personal and financial goals.
- Build an emergency fund.
- Keep costs lower while increasing them.

**Reasons for Investing**
- Pay 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.

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

**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
- Money Market Account
- Certificate of Deposit
- High-yield savings account
- Higher minimum deposit and gets a higher return than savings accounts
- Deposits backed in for specified time, earns interest, and has penalties for early withdrawal

**Common investment tools**

- Stock
- Bond
- Mutual Fund
- Physical Asset
- Overweight of a company that may grow in value over time
- Money lent to a government or corporation, earns interest and the face value of maturity
- Funds invested in a diversified portfolio that may earn dividends
- 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.

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