



funds when you need them.

The simplest way to earn money on your savings is to open a savings account at your local bank. You can choose from the typical savings account, money market account or certificate of deposit (CD).

Once you have established a good savings foundation, you can diversify your assets among other investments. Prudent investing looks long-term toward the future, avoiding get-rich-quick schemes. The following are some ways to invest savings with an eye toward the future:

## **Bonds**

When you buy a bond, you are lending money to a federal or state agency, municipality or corporation. The recipient organization promises to pay you a fixed rate of interest during the life of the bond, and then repay the entire face value of the bond when it reaches maturity.

To estimate how the value of your bond will grow over the years, the Federal Reserve suggests using the “rule of 72.” If, for example, you invest in a bond that is worth \$5,000 today at 8 percent interest, then according to the rule of 72, you will divide 72 by 8. The resulting number of 9 means that your investment will double every nine years.

## **Savings Bonds**

These bonds range from \$50 to \$10,000. They are government-issued and government-backed.

## **Treasury Bonds, Bills and Notes**

Treasury bonds are securities which are sold at a discount of their face value with terms of more than 10 years and secured by the federal government. These bonds are used to pay for varied government programs, and interest is paid semi-annually.

Treasury bills are short-term securities sold at a discount of their face value, with terms of three months to one year.

Treasury notes are interest-bearing securities which mature within two to 10 years and pay interest every six months.

## **What Is the Best Way to Invest Your Savings?**

You have worked hard for your money, and you want to make the most of your investments so you will have the necessary

All of these investments are sold in increments of \$1,000 and can be purchased directly from the U.S. Treasury.

## **Stocks**

When you purchase stock, you become part owner of a company and, as a stockholder, you receive dividends from the company. If the company performs well, your stock appreciates in value. However, if the company does not do well, you can lose money.

## **Mutual Funds**

With mutual funds, you invest in many companies. Your investment is spread across a cluster of companies, so that you do not rely on a single company to perform well.

## **IRA and 401(k) Plans**

An individual retirement account (IRA) helps you build retirement security. The money you invest in an IRA or 401(k) plan grows tax-free until the time you are ready to withdraw it.

Many companies offer 401(k) plans for their employees' retirement. Participants authorize a certain percentage of their before-tax salary to be deducted from their paycheck and put in a 401(k). Some employers also match a portion of every dollar invested in a 401(k) by the employee.

## **Qualified Plans**

If you are self-employed, you can invest up to \$42,000 annually in a qualified plan for your retirement.

There are myriad ways to increase your wealth and save for your retirement. Talk to your local banker or other financial adviser to see which plan best fits your needs.

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