



PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

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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 funds when you need them.

The simplest way to earn money on your savings is to open a savings account at your local community bank or other financial institution. You can choose from the typical savings account, the money account or Certificate of Deposit (CD).

Once you have established a good savings foundation, you may want to diversify your assets among other investments. Investing looks toward the future and is not a get-rich-quick scheme. Here are some ways to invest some of your 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 a corporation. They promise 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. For example, you invest in a bond that is worth \$5,000 today at 8 percent interest. Divide 72 by 8 and you get 9, meaning 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 3 months to one year. Treasury notes are interest-bearing securities which mature within two to 10 years and pay interest every six months. 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 does well, your stock appreciates in value. However, if the company does not do well, you will lose money.

Mutual Funds

With mutual funds, you invest in many companies. Your investment is spread across many companies rather than relying on just one to perform well.

IRA

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

Many companies offer a 401(k) plan 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). Employers may 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 community banker or other financial adviser to see which plan best fits your needs.

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