

SAVING VS. INVESTING

What is the difference?

Saving...

Is a short-term commitment to meet unexpected shortfalls.

Helps meet short-term goals

Yields lower ret with lower risk

Reasons for Saving

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

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 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/interest rate = number of years to double



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



Often used for

emergency fund

and other short-term

savings goals

Higher minimum

Money Market Account

deposit and gets a higher return than savings accounts

Certificate of Deposit

specified time, earns interest, and has penalties for early withdrawal

Deposits locked in for

Savings Bond

issued and backed

Has low risk and

growth, is government

Common investment tools



grow in value

or earn dividends

Ownership of a company that may **Bond**

Money lent to a

government or corporation;

Earns interest and

Mutual Fund Funds invested in

a diversified portfolio

that may earn

Physical Asset

Items such as art. real estate, and land

whose values may

rise over time

dividends the face value at maturity



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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