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# Types of Savings

## Savings Account

- Account that you put your money into, either manually or through direct deposit, and it earns a small amount of interest
- Easily accessible, depending on the type of account you have
- Insured by the FDIC (Federal Deposit Insurance Company) if it's a bank or the NCUSIF (National Credit Union Share Insurance Fund) if it's a credit union

## Money Market Account

- An account that pays interest based on the market
- Interest earnings may be higher than a traditional savings account.
- The minimum balance for this **account** is often considerably higher than the minimum balance of a basic savings **account**.
- Limits the number of so-called convenient transactions – including checks, debit card swipes and online transfers – you can make to just six per month

## Certificate of Deposit

- You deposit a fixed amount of money, and it must remain there for the term.
- You earn a higher interest rate; but the money is not accessible until the end of the term.
- Terms can vary in length, and the minimum amount of money you have to put in can also vary.
- Insured by the FDIC (Federal Deposit Insurance Company) if it's a bank or the NCUSIF (National Credit Union Share Insurance Fund) if it's a credit union

## Matched Savings (Individual Development Accounts)

- You work with an organization to save a certain amount of money, and they will match your savings for a specific purpose.
- We have those here at SCC. You save $1,000 and get $2,000 in match for a total of $3,000 that can be used for educational purposes, such as tuition, books or a computer.
- Insured by the FDIC (Federal Deposit Insurance Company) if it's a bank or the NCUSIF (National Credit Union Share Insurance Fund) if it's a credit union

***Investing:*** Now that we've talked about saving and the different avenues for doing that, what else can we do to help our money *earn even more money?*

## Bonds

- Debt security, kind of like an IOU
- When you buy a bond, you are lending to the issuer (government, municipality or corporation), and, in return, the issuer promises to pay you a specified rate of interest during the life of the bond and to repay the principal when it "matures."

- The maturity periods can vary. For example, if you buy a bond with a value of $50 for $25, you'll have to wait at least 17 years to get back your investment from the government, depending on the interest rate.
- The longer you wait, the greater interest you earn, however savings bonds have a 30-year maximum of interest accrual. After that the bond no longer accrues interest.
- Bonds are for a set amount of time and generally do not earn a lot of money.
- Savings Bonds come in eight values: $25, $50, $75, $100, $200, $500, $1,000 and $5,000.
- Savings Bonds are protected because they are secured by the U.S. government. The principal and earned interest are registered with the Treasury Department. Therefore, if a bond is lost, stolen or destroyed, it can be replaced at no cost.

## Stocks

- Essentially buying part of a company
- They are a type of security that gives the stockholders a share of ownership in the company
- If the company does well, your stocks will grow and gain value. If the company does poorly, your stocks will shrink and lose value.

## Mutual Funds

- Mutual funds are investment strategies that allow you to pool your money together with other investors to purchase a collection of stocks, bonds or other securities that might be difficult to recreate on your own. This is often referred to as a portfolio.
- The investors buy shares, and each share represents an investor’s part ownership in the fund and the income it generates.

## 401k

- Retirement plan where the account is funded through **pre-tax payroll deductions** (They take the money out **before** taxes are deducted from your pay.)
- The funds can be invested in a number of different stocks, bonds, mutual funds or other assets.
- They are not taxed on capital gains, dividend or interest until they are withdrawn.
- Sometimes proportionately matched) by an employer
- Limited to a maximum pre-tax annual contribution of $18,000 (as of 2015)

## 403B

- A retirement plan for certain employees of public schools, tax-exempt organizations and certain ministers

## Roth IRA

- Individual retirement accounts that offer tax-free income for retirement
- You can tap into these any time with no tax penalty.
- You can only save up to a certain amount a year based on their income limits.

## Traditional IRA

- Tax deductible on both state and federal tax returns for the year you make the contribution, while withdrawals in retirement are taxed at ordinary income tax rates
- You can only save up to a certain amount a year based on their income limits.