

Advertiser Disclosure


 **GO**
[Compare Bank Rates](#)
[CD Rates](#)
[Money Market](#)
[Checking](#)
[Savings Calculators](#)
[How to Save](#)
[Bank Reviews](#)

## Seeking higher yield?

Earn solid returns of 5% - 9%

Terms and conditions apply

[Learn More](#)

For investment accounts \$5K+

Over \$15 Billion invested

### Saving for short-term and long-term goals

Published on Fri May 24, 2013

By **Maryalene LaPonsie**

Is your emergency fund hanging out in the same place as your retirement savings? If so, it may be time to rethink your savings strategy. Finance experts say choosing the right account for your money is critical to meeting your goals.

"Money for a car in five years should be saved differently than money for retirement in 25 years," says Matt Curfman, a Certified Financial Planner with Richmond Brothers in Jackson, Mich. "The timeframe for when you want or need that money dictates where it goes."

In other words, it's nearly impossible to maximize your savings if you haven't distinguished your long-term goals from your short-term goals.

#### Good short-term savings options

According to Mark VandeVelde, a Certified Financial Planner and Wealth Partner at Hefty Wealth Partners in Auburn, Ind., short-term savings should include your emergency fund as well as any [looming expenses](#).

"We typically recommend three to six months of expenses -- three months for a two-income family and six months for a one-income family -- plus any known expenses in the next 24 months," VandeVelde says.

For example, if you expect to replace the roof on your house in the next year, that money should be set aside along with your emergency fund. Since the goal is to keep this money accessible, VandeVelde recommends using savings accounts and perhaps CDs for this fund. Curfman agrees, saying a high-yield savings account can be a good option.

While VandeVelde does not recommend investments for short-term savings, he does say a diversified investment portfolio can be appropriate for intermediate goals.

"Allocate it conservatively," VandeVelde advises. "The goal is to outpace inflation with minimal risk."

#### Saving for retirement, college and other long-term goals

When it comes to long-term goals, retirement tends to top the list. Both experts agree workers should look to their employer when it comes to [retirement savings](#).

"The very first place to look is a 401(k) or a 403(b) with a match," says Curfman. "Don't give up that free money."

Workers under age 50 can contribute up to \$17,500 to their 401(k) account each year, although your employer may only match up to a certain amount or percent. Once you have maxed out the employer match, you may want to consider other retirement fund options, such as a Roth IRA.

Roth IRAs have income limits and lower contribution limits -- \$5,500 per year for those under age 50 as of 2013 -- but they have the advantage of growing tax-free. Deposits to a Roth IRA cannot be deducted, but there are no taxes on money withdrawn after age 59 ½.

Traditional IRAs are another option. Money deposited in the account can be deducted now, but withdrawals at retirement time are subject to taxes. VandeVelde says Roth IRAs tend to be more popular, but traditional IRAs may make sense for those close to retirement age.

As for college savings, Coverdell Education Savings Accounts and 529 Plans are both options that come with tax advantages. However, money from these accounts must be used for educational purposes.

Curfman suggests using a Roth IRA as an alternate way to save for college or other long-term expenses. Although any gains made by the account should not be withdrawn until age 59 ½, he notes the contributions made to a Roth IRA can be withdrawn tax- and penalty-free any time after five years. The money placed in the account can grow tax-free to help pay for retirement, but the contributions can be withdrawn as needed to pay for college or other expenses.

For other long-term goals that don't fit into the retirement or college categories, a [general investment account](#) may be your best bet.

"If your goal is more than five years out, you could do a portfolio of stocks and bonds," says Curfman.

#### Consider taxes and contribution limits when planning

Be aware that tax laws and contributions can and do change over time. Consulting with a financial professional can be a smart move when crafting your savings strategy, because there are opposing things

Savings Accounts



1.00% APY

Start Saving

HIGH YIELD 12-MONTH CD

**1.05%**  
ANNUAL PERCENTAGE YIELD

No Minimum Deposit to Open.

Open an IRA

Historical Returns by Grade A to C

**5.3% to 8.7%\***

[Learn More](#)

\*Notes are offered by prospectus filed with the SEC. Historical returns as of 12/31/15.

**FREE-FOR-ALL**

Join millions who file Simple Federal Returns For **FREE**.

**FILE ONLINE NOW** ▶

**AbsoluteZERO.**

\$0 Fed  
\$0 State  
\$0 To file

Maximum refund, guaranteed.



intuit  
**TurboTax** ✓  
Federal Free Edition

File for \$0

to consider in virtually every approach.

"Every (savings) vehicle has disadvantages and advantages," says VandeVelde. "If you don't choose the right vehicle, you won't reach your goals."



**FREE TAX FILING**

**DIY tax**  
Simply Free

This advertisement features a green banner at the top with the text "FREE TAX FILING". Below the banner, there are images of US dollar bills (one hundred and twenty-dollar bills) and a blue sky background. The "DIY tax" logo is prominently displayed in the bottom left corner.



**Always FREE!**  
Federal Tax Filing

W-2 1040 1099

IRS e-file

**Start FREE Federal Taxes**

State only \$12.95

**FreeTaxUSA**

This advertisement has a white background. At the top, it says "Always FREE!" in large red and black letters, followed by "Federal Tax Filing". Below this, there are images of tax forms labeled "W-2", "1040", and "1099", along with the "IRS e-file" logo. A dark red button contains the text "Start FREE Federal Taxes". Below the button, it states "State only \$12.95" and features the "FreeTaxUSA" logo with a red and white striped flag.



**TaxAct**

**\$0 Federal + \$0 State**  
Easy. Fast. Free.

**Start FREE Return**

1040 EZ/A

This advertisement has a solid blue background. The "TaxAct" logo is at the top in white. Below it, the text "\$0 Federal + \$0 State" is written in large white letters, followed by "Easy. Fast. Free." in a smaller font. A red button with white text says "Start FREE Return". At the bottom, "1040 EZ/A" is written in a small white font.



Introducing BBVA Compass  
**ClearChoice  
Free Checking.**

Apply Now >

BBVA Compass is a trade name of Compass Bank, Member FDIC

**BBVA Compass**  
banking on a brighter future.

This advertisement has a white background with a blue vertical bar on the left side. The text "Introducing BBVA Compass" is in blue, followed by "ClearChoice Free Checking." in large, bold blue letters. Below this is an orange button with the text "Apply Now >". A small line of text reads "BBVA Compass is a trade name of Compass Bank, Member FDIC". At the bottom, the "BBVA Compass" logo is in white on a blue background, with the tagline "banking on a brighter future." below it.

**Scottrade** [Open A New Account](#)

**ONLINE**  
  
**TRADES**

- \$7** Online Trades
- \$0** Set-Up Fees
- Free** Education
- Free** Assistance
- Free** Research & Trading Tools

★ Start your year with a clearer view of your tomorrow.

[Explore IRAs](#)



No platform fees.  
 No data fees.  
 No trade minimums.

Get up to \$600 when you open an account. »

 **Ameritrade** [START ▶](#)

 **guidelenders**

Get a personal loan of up to **\$35,000**

See multiple quotes in minutes.

[See Live Rates](#)



Related Articles

 **What did you pay for banking last year?**  
 Consumers are often unaware of what they pay for banking, but if you add up all the different types of...[read more>>](#)

**Fight against savings account risks**

**Ready to spring clean? Don't forget your bank accounts**

**Can PayPal work as a savings account?**

**Are bank sign-up bonuses worth it?**

**4 reasons retirement-savings strategies**

fail

6 ways to jump-start your savings account

**Featured Savings Accounts**

Institution	Type	APY	Min. to earn APY
 BARCLAYS	Savings	1.00%	\$0 <a href="#">Start Saving</a>
HSBC 	Savings	0.01%	\$1 <a href="#">Start Saving</a>
 WELLS FARGO	Savings	0.01%	\$25 <a href="#">Start Saving</a>

See more [savings accounts](#)

[About Us](#) | [Contact Us](#) | [Privacy Policy](#) | [Terms of Service](#) | [Sitemap](#)  
© 2001 - 2016 SavingsAccounts.com. All rights reserved.

**Advertiser Disclosure:** Many of the savings offers appearing on this site are from advertisers from which this website receives compensation for being listed here. This compensation may impact how and where products appear on this site (including, for example, the order in which they appear). These offers do not represent all deposit accounts available.

**Editorial Disclosure:** This content is not provided or commissioned by the bank advertiser. Opinions expressed here are author's alone, not those of the bank advertiser, and have not been reviewed, approved or otherwise endorsed by the bank advertiser. This site may be compensated through the bank advertiser Affiliate Program.

**UGC Disclosure:** These responses are not provided or commissioned by the bank advertiser. Responses have not been reviewed, approved or otherwise endorsed by the bank advertiser. It is not the bank advertiser's responsibility to ensure all posts and/or questions are answered.