



Save and Invest for Virtually Any Goal With These Top Tips

Description

Your savings goals should be matched to your objectives and time horizon — that is, what are you saving for, and when do you need the money to buy it by?

Not synchronizing these can lead you to make poor investment choices, miss your goals entirely, or worse, lose your money altogether! With the litany of accounts and assets that Canadians can invest in these days, it's no surprise that people can feel confused and apprehensive about which one to pick.

While an in-depth analysis of your particular financial situation may warrant a personalized sit-down, today I will be providing some general tips that are suitable for a broad spectrum of investors. Let's get started!

A short-term, moderately sized purchase

Whether it be a vacation package, a fancy date, a new laptop, or just a night out, these savings goals tend to share one similarity: they are short term and not exorbitantly expensive. For these goals, liquidity (the ability to come up with the cash needed quickly) is your primary concern.

My advice here would be to keep cash in a chequing account. Although you may not be able to earn interest on it, you can access it easily to fulfill credit obligations. A good idea for these purchases may be to use a cash-back credit card and then pay it off immediately. Doing this eliminates the risk of interest payments while giving you a small return.

An intermediate-term, large purchase

Are you thinking about financing or leasing a new car in a year or so? Are you starting graduate school next year and need to come up with tuition? Are you planning to start a family in the next two years? Do you need a down payment for your first home in three years? Or maybe you just want to get an emergency fund going.

These purchases (or costs) may be further off in time, but they can be large enough that we have to save towards it. Your best bet here is a high-interest savings account (HISA) with smaller banks or credit unions. With interest rates at rock bottom right now, [guaranteed investment certificates \(GICs\)](#) just won't hack it anymore.

Although a GIC would guarantee you safety of principal, the low rates and potential lock-in are too big of a drawback. An HISA could get you upwards of 2% interest annually, grant you easy access to your money when you need it, and is CDIC insured.

Long-term retirement

[When it comes to retirement](#), your goal should be to max out your [Tax-Free Savings Account or Registered Retirement Savings Account](#) every year. Which one to contribute to first depends on many things, including your current tax bracket and anticipated income at retirement. If you're lucky enough to max these out, consider investing the excess in a taxable account.

Within these accounts, you should aim to hold a well-diversified investment portfolio comprised of assets allocated based on your risk tolerance and time horizon. Your investment portfolio must be large and stable enough at retirement to sustain many years of withdrawals without being depleted.

For example, a young investor may be willing to hold an aggressive 100% stock portfolio. This investor has the time to recover from potentially disastrous drawdowns early on. An older investor on the brink of retirement may want a 60/40 stock/bond portfolio to reduce volatility and preserve capital in the event of a crash.

The Foolish takeaway

Good investors match their chosen investment vehicle with their objectives and time horizon. Selecting the best accounts and holdings ensures both safety of principle and decent returns. Doing so will give you the best chance of having that capital when you need to deploy it. Money is a means of achieving your goals in life, and being smart with your savings plays a big role in enabling that.

CATEGORY

1. Personal Finance

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. kduncombe
2. tdong

Category

1. Personal Finance

Date

2025/08/26

Date Created

2022/01/26

Author

tdong

default watermark

default watermark