



Presents

Glossary of Types of Savings Investments

This document is intended to give very general information about types of savings vehicles. While investing is an important part of personal finance, it is not presented in depth on the Rowdy Cents web site.

Savings Accounts

- Opened at banks and credit unions
- Pay low interest rates
- Usually required a small balance to open (such as \$50)
- May have maintenance fees assessed monthly
- Money can be withdrawn without any penalty

Money Market Accounts

- Opened at banks, credit unions, investment firms
- Pay interest rates higher than savings accounts
- Usually require a higher minimum balance to open (such as \$2500)
- Interest rates tied to U.S. Treasury bills, may fluctuate up or down
- Minimum balance to avoid maintenance fee or keep stated interest rate
- Money can be withdrawn only a limited number of times

Certificates of Deposit (CD)

- Opened at banks, credit unions, investment firms
- Pay higher interest rates than either a savings account or money market account
- Funds locked in for a contracted period of time
- Money cannot be withdrawn without penalty before maturity date

Bonds

- Purchased through investment firms
- Certificates issued by corporations or governments
- Promise to repay a sum of money at a specified date (maturity date) for a specified interest rate
- Subject to a credit rating which signifies the security risk
- Must be "sold" if investor wants funds before the maturity date

Stocks

- Purchased through investment firms, trading accounts, corporations
- Certificates of ownership in public corporations
- May pay dividends when profitable
- Value of stock may increase and decrease
- Investment returns guaranteed
- Considered higher risk investment than savings accounts, money market accounts, or CDs.

Mutual Funds

Purchased through investment firms, trading accounts
Similar to buying a mixed bag of stocks, bonds or both
Investment returns not guaranteed
Less high risk investment than buying individual stocks

Annuities

Purchased through insurance companies
Contracts for a long term, such as five to ten years
Designed to provide payment to the owner or beneficiary on a specified date
Have death benefits
Penalty fees for early withdrawal
Interest rate fixed, variable, or combination of both
More complex than the above accounts but may provide less risk

References provided by 2nd Edition-Center for Financial Certifications, 2006-2007

If you wish more information about investment strategies, you may want to consult the Certified Financial Planner Board of Standards, Inc. to find a CFP professional in your locale.

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