

Do Your Investments Match Your Goals?

As you go through life, you'll have various financial goals — and to achieve them, you'll need to invest. But just recognizing the need to invest is not as useful as matching specific types of accounts or investments with specific goals. How can you make these connections?

Let's look at some common goals and how they could possibly be met with appropriate accounts and investments:

- *Saving for a down payment on a house* — When you're saving for a down payment, you want a certain amount of money available at a certain time — so, for this goal, you won't want to take too much risk. Consequently, you might consider investing in certificates of deposit (CDs), which will pay you regular interest payments and return your principal when the CDs mature. CDs are issued in a range of maturities, from one month to 10 years. Other vehicles you might consider are money market accounts or other cash equivalents.

- *Saving for a child's education* — If you have children, and you'd like to help them pay for some form of higher education, you may want to consider a 529 education savings plan. Any earnings growth in a 529 plan is federally tax free, provided the withdrawals are used for qualified education expenses, and you may also receive state tax benefits. A 529 plan can be used for college, approved trade school programs, student loan repayments and some K-12 costs. And if the child you've named as a beneficiary chooses not to continue their education, and doesn't need the money in a 529 plan, you can generally switch beneficiaries to another immediate family member.

- *Saving for retirement* — This is the one goal that will remain consistent throughout your working years — after all, you could spend two or even three decades in retirement, so you'll need to accumulate as many financial resources as you can to pay for those years. Fortunately, you likely have access to several good retirement-savings vehicles. If you work for a business, you might have a 401(k) plan, which offers you the chance to put away money on a tax-deferred basis. (If you have a Roth option in your 401(k), your withdrawals can be tax free, although, unlike a traditional 401(k), your contributions won't lower your taxable income.) If you work for a public school or a nonprofit organization, you may be able to participate in a 403(b) plan, which is quite similar to a 401(k), and the same is true if you work for a state or local government, where you might have a 457(b) plan. And even if you invest in any of these plans, you can probably also contribute to an IRA, which gives you another chance to invest on a tax-deferred basis (or tax-free basis, if you're eligible for a Roth IRA). Try to take full advantage of whatever retirement plans are available to you.

Here's one final point to keep in mind: While some investments and accounts are appropriate for certain goals, they may not necessarily be suitable for your individual situation — so keep all your options in mind and take the steps that are right for you.

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