

Savings Accounts

Frequently Asked Questions



Let's differentiate between savings, retirement savings, and investing. Savings accounts are NOT invested.

When people refer to retirement accounts, sometimes they call it "retirement savings".

Savings accounts are bank operated. They pay you interest on the money you leave in the bank so that the bank can loan that money out to other people at higher interest rates.



How much do I need in savings?

For your emergency fund, you should tuck away 3-6 months of your expenses, if you are debt-free. If you are self-employed or are single, we suggest setting aside 6 months worth of expenses.

Your non-emergency savings should include the money you want to tuck away for future, known expenses such as a car, vacation, down payment on a home, or your annual insurance bill.

How much do I need in savings?

We suggest determining your savings by building your budget, not by choosing an arbitrary percentage.

While we are firm on saving 15% of your income toward retirement, savings outside of retirement depends on your individual situation.

What should I do if emergencies keep eating up my savings?

First, make sure they are emergencies: loss of job, unexpected medical procedure, unexpected car repair, unexpected home repair (a new roof, not new furniture).

Next, pat yourself on the back. It may not seem like it, but this is reason to celebrate. You are in the extreme minority of people who are able to cover the expense of an emergency.

Take a deep breath, pause your other savings, and build your emergency fund back up.

Where should I keep my emergency fund and other savings?

You'll typically find the lowest interest rates at brick-and-mortar banks. Are you comfortable with an online bank? You won't have access to physical branches, but you typically still have access to ATMs and mobile apps.

Some online banks are able to offer higher-yielding accounts because they come with fewer overhead expenses than traditional bank accounts.

Are there times when I should stop saving?

If your emergency fund is full and your additional saving for irregular or large expenses is accounted for, you can stop saving and start investing.

Can't my money work harder for me if I invest it, rather than put it in a savings account?

Think of your savings as insurance. Your savings isn't there to make you money. It's there to protect your investments, because if you don't have savings, you open yourself up to taking an early withdrawal from your 401(k) in an emergency or taking a loan with high interest or foreclosing on your home.

Your savings should never be in something that: can go down in value or charges you a penalty for taking it out early (a CD, a 401k).

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.