



What Should You Do With Money in the Bank?

Are stocks better than bank deposits? What are the questions you should ask when designing your portfolio.

Recently, a couple asked me what they should do with their money in the bank. I hear this question quite often. However, as every individual investor's situation and circumstances are different, there is no standard response that fits everyone. To figure out an answer for this particular couple, I asked:

What's the intended purpose of this money?

The couple answered that it was the sum of their retirement savings that they had accumulated over the past 18 years. They had over \$650,000 in bank deposits, carefully spread out among several U.S. banks so that they were fully insured by the FDIC (Federal Depository Insurance Corporation). However, they also admitted that they were earning next to nothing in terms of interest.

"So for almost two decades you've been keeping money in the bank, and you're thinking of leaving it there for another fifteen years until you retire?" I asked.

When the husband and wife understood that they were not even beating inflation, and the money wasn't going to be needed in the short term, we spoke about designing a well-balanced portfolio that balanced their risk tolerance against potential growth.

Is there a chance you'd need the money sooner?

If the couple needed the money in the short term to buy a house or pay for a wedding, I would advise keeping it in the bank. For a short-term goal, the money should be liquid, since there might not be time to make up losses if the market dropped.

Are you wondering whether the bank is the best place to keep your assets? To find out more about how to decide to invest for the long or short term, read: profile-financial.com/short-term-investing.

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