Building a Foundation for Your Investing Journey

Ah, the beauty of compounding interest.

Most of us have a tough time truly grasping the long-term impact of small, consistent habits—whether that's eating healthy, going to the gym, or investing. But it's those small steps done consistently over time that often lead to the most powerful results.

In this article, I want to help simplify where to *start* on your investing journey. My goal isn't to give you a one-size-fits-all blueprint, but to offer a general outline that can point you in the right direction. Everyone's situation is different—so before making any financial decisions, always talk to a financial professional. That said, let's dive in.

Step 1: Your Savings Foundation

Before we talk about investing, let's talk about saving. You've probably heard of a few different types of savings accounts, but let's break them down:

- **Standard Bank Savings Account**: Easy to access but typically offers the lowest interest rate (often less than 1%). It's safe and liquid but not ideal for long-term growth.
- **Money Market Account**: These usually offer slightly higher interest rates than regular savings accounts and may come with check-writing or debit card privileges. Still very low risk and easily accessible.
- **High-Yield Savings Account**: Usually offered by online banks, these accounts can offer significantly higher interest rates than traditional banks. Great for emergency savings.

My general rule of thumb? Aim to have **6–12 months of your monthly expenses saved** in one of these accounts. This helps create a cushion in case of job loss, emergencies, or other unexpected life events. If you're more conservative or have dependents, you might consider a higher amount—but that's a decision best made with a financial professional.

Step 2: Employer-Sponsored Retirement Plans (401(k), 403(b), etc.)

Next up—those beautiful 401(k)s.

If your employer offers a retirement plan, this can be one of the most effective ways to start building long-term wealth. Why? **Employer match**. This is essentially *free money*—a benefit of simply being part of your company.

Even if you're not ready to max out contributions, **at least contribute enough to receive the full match**. It's a great starting point and can make a meaningful difference over time thanks to—you guessed it—compounding interest.

Step 3: IRAs (Traditional and Roth)

Once you've got your savings foundation and are contributing to your employer plan, it might be time to explore **Individual Retirement Accounts (IRAs),** another powerful tool with some great tax advantages.

- **Traditional IRA**: Contributions may be tax-deductible (depending on your income and whether you have access to a retirement plan at work). The investments grow tax-deferred, meaning you don't pay taxes until you withdraw in retirement.
- **Roth IRA**: Contributions are made with after-tax dollars, but your investments grow *tax-free*. That means when you retire, you won't owe taxes on your withdrawals—huge benefit if you expect to be in a higher tax bracket later on.

The right choice depends on your income level, tax situation, and long-term goals. But either option helps you diversify how your retirement money is taxed, which can be really valuable down the road.

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Step 4: Brokerage Accounts and Other Investments

Once your retirement and emergency savings bases are covered, you may want to explore **taxable brokerage accounts**. These accounts don't offer the same tax benefits as retirement accounts, but they give you **flexibility and control**.

Here, you can invest in individual stocks, ETFs, mutual funds—or even dip your toes into alternative investments like crypto. Because these accounts aren't restricted by age or income limits, they offer a level of freedom that retirement accounts don't.

I often describe brokerage accounts as a place where you can be a bit more *hands-on*. Whether you're investing in companies you believe in, exploring new sectors, or just learning how the market works, this bucket adds an important layer to your overall strategy.

Why Having Different Buckets Matters

Having money spread across different accounts, your **savings**, **retirement**, **IRAs**, and **brokerage**—isn't just good organization. It's a strategy.

Each bucket serves a purpose:

- **Savings** for short-term needs and emergencies.
- **Retirement plans and IRAs** for long-term, tax-advantaged growth.
- **Brokerage accounts** for flexibility and supplemental investing.

Diversifying where your money lives helps protect you from risk, creates tax efficiencies, and gives you options—now and in the future.

Final Thoughts

Finances can be overwhelming, I get it. That's why I do what I do.

My job is to help people make sense of all this and create strategies that align with their specific goals and values. While this guide is meant to be a helpful starting point, it's not a substitute for personalized advice. Everyone's situation is unique, and what works for one person might not be right for you.

But if this post helps spark a little more clarity or confidence in your financial journey, then I've done my job.

Start small. Be consistent. And remember you don't have to go alone.

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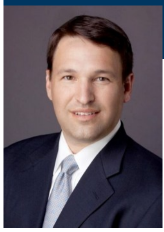
To learn more about these topics and our investment strategies, call us at 404-445-7885 or contact us here.

Do you understand your personal investment risk tolerance and the risk of your current portfolio? You can learn these by taking our Risk Analysis Questionnaire.

The NovaPoint Team



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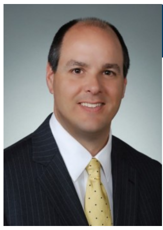

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