

Investment strategies by age

Your plans and goals change as you move through your 20s, 30s, 40s and beyond. So, too, should your investing strategy.

Investing in your 20s

A potential investment mix to consider

70%
Stocks

20%
Bonds

10%
Cash



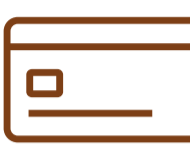
Be aggressive

Allocating a majority of your investments into stocks carries risk because equity investments are generally more volatile than bonds. But stocks may also have more potential for growth, and young investors have more time to recover from any potential losses.



Build a financial base

Two words: compound interest. Money you invest in your 20s will benefit from decades of interest. Consider that \$10,000 invested at age 25 — with a 5% return, compounded annually — can net you \$70,400 at age 65.



Pay down debt

High-interest credit card debt should go first, but paying off lower-interest student loans may also help you save more in the long run.

Investing in your 30s

A potential investment mix to consider

70%
Stocks

20%
Bonds

10%
Cash



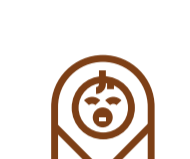
Focus on the long game

You're still decades away from retirement, so you may want to continue allocating your portfolio primarily toward stocks. This is a good time to start setting aside money for other goals, as well. For instance, if you want to buy a home, you may want to consider saving 20% of the purchase price for a down payment to avoid paying private mortgage insurance.



Work on your emergency fund

The general rule of thumb is to have at least six months' worth of your household income set aside for emergencies, such as job loss or medical bills.



Think about family finances

If you start a family, consider planning for your children's financial futures — even as you budget for their day-to-day costs. A college savings plan, such as a 529 plan, can help pay for qualified education expenses, even K-12 tuition.

Investing in your 40s

A potential investment mix to consider

50%
Stocks

40%
Bonds

10%
Cash



Mix in moderate risk

As your investment portfolio grows, consider reallocating some funds — maybe 40% — into fixed-income investments, such as investment-grade bonds. Though these may offer less gains, they may provide more security than equities. Lowering your risk in your 40s can help keep you on track for retirement.



Pay down your mortgage

Your mortgage may have many years left on it, but putting extra money toward your mortgage can help you chip away at principal and reduce what you pay in overall interest. If you're paying private mortgage insurance, prioritize this step to help you eliminate that added expense.



Take full advantage

If your employer offers a sponsored retirement account — such as a 401(k) — work to max out your contributions. Make sure you're taking advantage of an employer match if it's offered, and if possible, try to contribute up to the IRS limit each year. If your company offers an HSA, consider maxing out your contributions here, as well.

Investing in your 50s

A potential investment mix to consider

30%
Stocks

60%
Bonds

10%
Cash



Maximize your contributions and lower risk

Consider reallocating more of your portfolio to investment-grade bonds. Now is the time to start thinking about boosting your retirement fund contributions and taking advantage of catch-up contributions. When you turn 50, the limit for yearly 401(k) contributions jumps from \$19,000 to \$25,000.



Think realistically, envision your retirement costs

When you're around 15 years away from retirement, you can start to envision your costs in retirement. Build a clear budget to see just how much more you need to save to reach retirement.



Consider downsizing

This may be a good time to downsize to a smaller home for retirement or to make sure the family vacation home is transferred to the next generation.

Investing in your 60s

A potential investment mix to consider

20%
Stocks

70%
Bonds

10%
Cash



Maintain low risk

This is the time to allocate the bulk of your savings into fixed-income bonds to lower your market risk and also create a steady income for your distributions.



Consider your legacy and next generations

Before your 60s, you should have the basics of your legacy plan mapped out, such as your will and other estate documents. Once you've reached retirement, starting your wealth transfer and yearly philanthropy gifting may help lower the tax burden for your estate.

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