

Three Steps to Help Save for Short-Term Goals

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Pursuing short-term financial goals -- those that you would like to achieve within one to five years, such as a down payment on a home or car -- can require a different strategy than pursuing long-term goals. Here are some steps to help you save and invest when you're going to need your money sooner rather than later.

Step 1: Be specific about your goal. Setting a specific short-term goal will help you to evaluate your progress toward meeting it. For instance, the vague objective "I want to save money to buy a house" becomes "I want to save \$25,000 over five years to put toward the down payment of a house in (town/city)."

Step 2: Take steps to free up extra cash. How will you save the money that you need? Eating out less often, canceling a gym membership that you don't use, or downgrading your cable from a premium to a basic plan could easily free up \$100 per month or more toward your goal. There are probably many areas where you can save a few dollars. Make a detailed list of what you spend in an average month and see where you could afford to trim.

Step 3: Match your investments or savings vehicles with your goal. Safety and liquidity will be priorities if you need the money within a few years. Stocks can experience extreme fluctuations over short-term periods. You don't want to be forced to sell your assets when the value of your investment has dropped. More appropriate choices for short-term needs may be conservative instruments that offer a more stable return, such as short-term bond funds and money market funds. Federally insured savings vehicles, such as certificates of deposit, could also play a role.

Understanding Short-Term Investments

Short-term bond funds primarily invest in U.S. government or corporate debt with maturities that range from one to three years. Money market funds pool investors' dollars to buy money market

instruments. These types of securities aim to produce current income, offer liquidity (how quickly you can sell an asset), and usually are not subject to the dramatic ups and downs of stocks. Certificates of deposit are interest-bearing debt instruments with a wide range of maturities. In exchange for purchasing a certificate of deposit, the investor will receive the return of principal plus interest at the maturity date. Remember though, that even conservative, short-term investments can lose money in some situations.

Finally, remember that short-term financial objectives should not take away from investing for long-term goals.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus, or if available, a summary prospectus containing this and other information, contact the appropriate fund company or view the fund prospectus on the Web site of the appropriate fund company. Please carefully read the prospectus or the summary prospectus before investing.

Your investment is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Current performance maybe higher or lower than the past, which cannot guarantee future results.

Share price, principal value, yield, and return will vary and you may have a gain or loss when you sell you shares.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

Bonds are subject to interest and market rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price.

Certificates of deposit offer a guaranteed rate of return, guaranteed principal and interest and are generally insured by the FDIC (see <http://www.fdic.gov/consumers/consumer/information/fdiciorn.html> for additional information). Early withdrawal of certificates of deposit may be subject to penalty.

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