Matching Your Investments to Your Money-Related Goals

Based upon the investment time horizon of your goal, certain types of investments may generally be considered more appropriate than others. For example, if you have short-term, "must have money available" goals, then you might consider owning investments that are less likely to lose you the money you'll need soon. If you have long-term goals that require growth in the value of your money, you might consider owning investments that are more likely to make you money you'll need later. Long-term investments that offer growth potential may not be appropriate for short-term timeframes because their potential for extreme volatility over the short-term may result in a loss of principal, if sold. Conversely, short-term investments that preserve the value of your money may not be appropriate for long-term timeframes where "growth" is the investment objective.

Short-term goals: Less than 3 years

Short-term investment examples:

Cash equivalents

- U.S. Treasury Bills
- Bank or credit union savings accounts
- Stable value funds and money market funds
- CDs maturing less than 3 years

Bonds

- Short-term individual bonds maturing less than 3 years
- Target date maturity exchange-traded funds (ETFs)
- Short-term bond mutual funds and ETFs with average effective maturities less than 3 years[1, 2]

Intermediate-term goals: Between 3 years and 10 years

For intermediate-term timeframes, it may be appropriate to allocate a portion of your funds to stocks and other growth assets depending upon your investment objective and your willingness to assume the potential risk of a multiple-year period of negative stock returns. Historically, the potential risk of a negative return on stocks for a full holding period is greater for holding periods between 1 year and 5 years than it is for holding periods between 6 years and 10 years.

Intermediate-term investment examples:

Cash equivalents

- U.S. Treasury Bills
- Bank or credit union savings accounts
- Stable value funds and money market funds

Bonds (and other 'fixed-income' investments)

- CDs with maturity dates between 3 and 10 years
- Individual bonds with maturity dates between 3 and 10 years
- Target date maturity bond ETFs
- Intermediate-term bond mutual funds and ETFs with average effective maturities between 3 and 10 years[1, 2]

Stocks (and other 'growth' investments)

- Individual common stocks
- Stock mutual funds, closed-end stock funds (CEF), stock unit investment trusts (UIT), stock ETFs and 'Target Date' funds
- Real estate funds, hard asset (precious metals) funds, natural resources funds

Long-term goals: More than 10 years

Long-term investment examples:

Bonds

- Target date maturity bond ETFs
- Long-term individual bonds
- Long-term bond mutual funds and ETFs with average effective maturities more than 10 years [1, 2]

Stocks (and other 'growth' investments)

- Individual common stocks
- Stock mutual funds, closed-end stock funds (CEF), stock unit investment trust (UIT), stock ETFs and 'Target Date' Funds
- Real estate funds, hard asset funds, natural resources funds

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1 Average effective maturity is a weighted average of all the maturities of the bonds in a mutual fund or exchange traded fund. It is calculated by weighting each bond's effective maturity by the market value of the security. Information on the average effective maturity of a bond mutual fund or ETF is available through your employer-sponsored retirement plan provider (for investments offered within the plan), mutual fund fact sheets, mutual fund company websites and mutual fund/ETF rating and ranking services.

2 Prices of bond mutual funds and ETFs fluctuate in value in response to movement in interest rates and bond credit ratings. Unlike individual bonds, bond mutual funds and ETFs do not have a maturity date. They maintain an average maturity in accordance with their investment objective. For example, a short-term bond fund may maintain a constant average effective maturity of 2.5 years in perpetuity. Consequently, the value of your bond fund and/or ETF may be worth less than your original investment upon liquidation.