INVEST AHEAD

Ready to start saving? Do it in this order

By Beth Braverman

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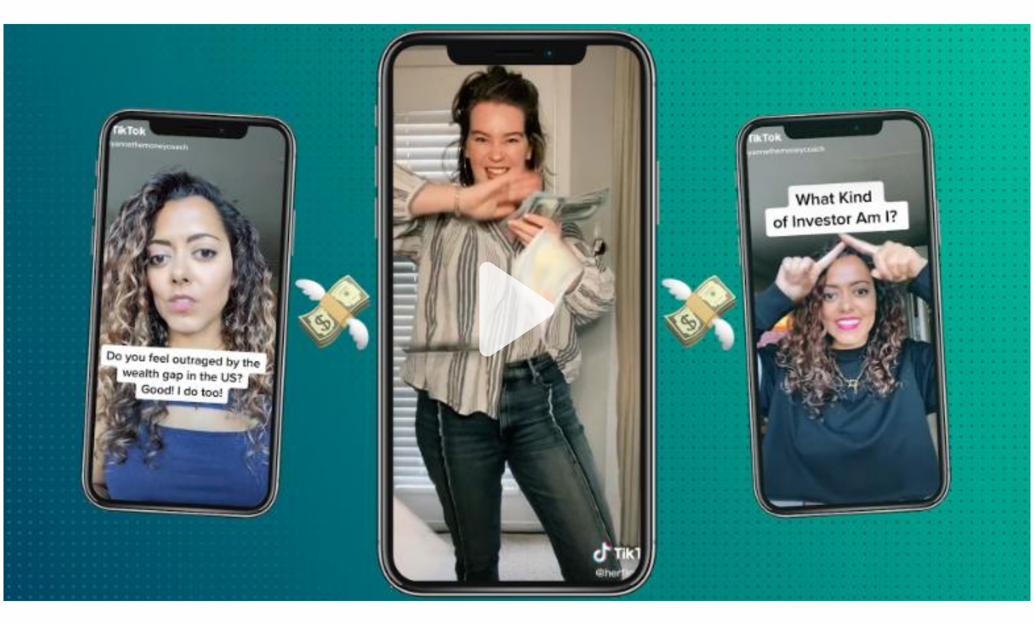

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One of the most important things you can do when it comes to securing your financial future is to consistently live below your means. Once you've done that, however, the next step is to take any leftover cash -- whether it's a few dollars or a few hundred dollars -- and put it to work.

Experts agree that most people should have savings and investments in a variety of different types of accounts to save for various goals while taking advantage of certain tax benefits. Financial experts generally advise saving 10% to 15% of your income, but if that's not possible right now, start setting aside whatever you can and increase the amount over time.

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The exact order in which you save will depend on your personal financial picture and goals, but when you're first starting to build your savings, the goals are: Get into the habit of saving for the long-term, take advantage of free money available through your workplace benefits, and make the most of tax-free savings. To do that, here's where you'll want to focus your money:

An emergency fund

Aim to set aside at least three months' worth of total living expenses in a safe, liquid account you can access without any penalties if you lose your job or have an unexpected expense, like your car breaks down or your roof starts leaking. An emergency funds is typically held in a savings or money market account.

High-interest debts

While it's technically not saving or investing, paying off high-interest debt should also be a top priority.

"I'd prioritize any debt with an interest rate over 10%," said Peter Hunt, a certified financial planner and director of client services at Exencial Wealth Advisors. "That's a risk-free 10% return."

Your workplace 401(k), up to any employer match

Money in your 401(k) account goes in tax-free and grows tax free until you take it out in retirement. Many employers match a percentage of employees' contributions up to a certain amount.

"Depending on the matching schedule, [the company contributions could provide] an 80% to 100% return," Hunt said. "You're not going to beat that anywhere else."

Contribute at least enough to get any employer match offered. If your employer does not have a match, you might want to focus first on paying down high-interest debt and building an emergency fund.

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A Health Savings Account

If you have a high-deductible health plan through work, you might also have access to a health savings account. (High-deductible health plans are defined as those with a deductible of at least $1,400 for an individual or $2,800 for a family.) Money goes in tax-free, grows tax-free, and comes out tax-free if you use it for qualified medical expenses.

"On the tax merits alone, it's hard not to put the HSA at the top of the heap as the best tax-advantaged vehicle you could possible employ," said Christine Benz, director of personal finance at Morningstar.

This year, you can put $3,650 into an HSA account if you have an individual high-deductible plan, and up to $7,300 if you have a family plan.

Max out your 401(k) or other retirement savings accounts

Once you have your basic savings plans in order you can start really boosting your retirement savings. You can stash up to $20,500 in a 401(k) account. Even if you don't have access to a 401(k), you can still save money for retirement through an Individual Retirement Account (IRA), although the contribution limits are lower.

"I think of retirement accounts as a use-it-or-lose-it opportunity every year," says Marcus Blanchard, a certified financial planner and founder of Focal Point Financial Planning. "If you don't use it up to the limit, that's a lost opportunity for the year."

A liquid account for short-term savings goals

You'll want to set aside money that you need in the next three to five years, such as for a home down payment or to pay for graduate school, in a safe account like a high-yield savings account or money market account, where the returns are low, but your principal is fairly safe.

"In general, you want to save in short-term investment vehicles for short-term goals, and long-term investments for long-term goals," said certified financial planner Clark Kendall, who runs wealth management firm Kendall Capital in Baltimore, Maryland.

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Lower-interest loans

Again, debt repayment is not technically saving or investing, but paying down debt like student loans or auto financing can improve your cash flow, boost your credit score, and give your more financial flexibility over time.

A taxable brokerage account

If you still have money left over after you've funded your short-term goals and you're on your way to your long-term objectives, you can take the next steps in investing. A taxable investment account is a great place to put cash when you've maxed out your retirement accounts. "That's where you're investing for the long haul, for at least five years, but you have liquidity if you need it," says Lazetta Braxton, co-CEO of 2050 Wealth Partners.

529 college savings

If contributing to your children's college education is important to you, a 529 account is a great vehicle for savings. Money invested grows tax free and can be withdrawn tax free as long as it's used for qualified education expenses. Just make sure you're on track for your own retirement and goals first.

Correction: An earlier version of this story misstated the definition of a high deductible health plan for individuals. Individuals health plans with deductibles of at least $1,400 are considered to be high-deductible and are eligible for a Health Savings Account.