Money > Investing

5 ways to save if you're afraid of investing

Investing isn't for everyone. If you're looking to grow your wealth over the long-term, here are some other ways to save.

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4 min read

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Investing your money is a major way to build your long-term wealth, but it's not the only method to choose from when you're trying to reach your financial goals. While you might end up with higher returns in the long run through investments, not everyone wants to run the risk of potentially losing a lot of money.

So what do you do if you want to take the safer route? There are other types of accounts to put your money into that aren't as risky as the stock market. Even for the most conservative investors, you have options when it comes to long-term savings.

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1. High-yield savings accounts

A checking account usually doesn't bring in any extra cash through interest. But a savings account does earn interest, so it's a good way to grow your balance over time with very little effort. A regular savings account averages 0.01% in interest. A high-yield savings account -- or an account that has a higher interest rate compared with regular savings accounts -- can bring in anywhere from 1% to 2%.

Even though the Fed has lowered interest rates and many online banks and institutions have followed suit, high-yield savings account interest rates are still much better than traditional savings accounts. Depending on the institution you choose, you could snag a 2% annual percentage yield, or APY.

While you typically won't earn as much as you would through investing, there isn't a chance you'll lose money through a high-yield savings account. It's an easy starting point if you don't mind slow growth.

2. CDs

A certificate of deposit, or CD, is a long-term savings account that has a fixed interest rate as well as a maturity date. A maturity date means that you can't touch the money inside the account until it reaches that specific point.

A CD is similar to a savings account in that you can't lose money. But with a CD, you don't have access to the money for a set amount of time. With savings accounts, you can typically deposit and withdraw money whenever you'd like.

Term lengths for CDs can vary from a couple of months to a few years. Usually, the longer the term, the higher the interest rate. If you're worried about the interest rates dropping even further, a CD will lock in a fixed interest rate now that will last for the duration of the term -- even if overall interest rates drop later on.

A caveat might be your minimum account balance. Some accounts require thousands of dollars to get started. If you have enough to meet the minimum requirements, this won't be difficult. But if you only have a few extra dollars, you might not qualify for a CD. Before getting started with a CD, see how much you'll need to qualify for.

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3. Micro-investing

A little bit goes a long way when it comes to investing. Some banks will round up your purchases and put the extra change into your savings account. If you're looking to earn a little bit more, you can try investing your spare change through micro-investing.

Services like Acorns sync with your credit and debit cards. Purchases are rounded up to the nearest dollar with the extra change going into a portfolio that invests in exchange-traded funds, or ETFs. ETFs are traded like stocks, but consist of a basket of different securities, including stocks, bonds and other assets.

When you think of investing, you might envision buying individual stocks through a broker. But micro-investing gives you the chance to earn a little bit of extra cash without putting all your money into one proverbial basket. ETFs give you instant diversification, so if there's a loss in one area of your portfolio, you won't see a huge hit to your investments.

4. Robo-advisors

If you have a little more tolerance, you may want to try investing through a robo-advisor. Robo-advisors are passive investing platforms that create and manage an investment portfolio on your behalf.

When you create an account, you'll answer a few questions about the type of investor you are and when you plan to cash out. There are plenty of different robo-advisors to choose from, and some are offered through banks or investing platforms you may already use. Two of the most popular, Betterment and Wealthfront, require very little money upfront to get started (or nothing at all). Fees are a minimal annual flat rate. And once you get started, everything is mostly hands-off for you.

While all investments carry risk, robo-advisors put your money into low-risk ETFs. If you do experience a drop in earnings, remember that investing is a journey. Eventually, your portfolio will rebound and account adjustments can be made.

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5. Treasury securities

Another option is to invest straight into the US government through Treasury securities. You'll purchase Treasury securities online through an auction in $100 increments. There are a few different types of Treasury securities that vary based on maturity length.

- **Treasury bills:** Maturities range from days to up to a year. They're sold at a discount from their face value.
- **Treasury notes:** Maturities range from two to 10 years with interest payments made every six months.
- **Treasury bonds:** These mature in 30 years and pay interest every six months.

All Treasury securities are fully backed in faith and credit by the government. You're guaranteed not only your principal payment but your interest as well, as long as you hold them until their maturity date. Your earnings might not be as high compared with other types of investments, but it's very low risk and still gives you earning potential.

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