



Understanding the Hierarchy of Savings Vehicles

When it comes to saving for your future, there are many options to consider. Each type of savings vehicle—whether it's a workplace retirement plan, an IRA, or a regular savings account—has different features, advantages, and potential trade-offs. While everyone's financial situation, timeline and goals are unique, many people follow a general order, or *hierarchy*, when deciding where to save their money.

1. Emergency Savings

Before focusing on long-term investing, many individuals aim to set aside money for unexpected expenses. A typical target is three to six months' worth of essential living expenses in an accessible, liquid account (like a savings or money market account).

2. Prioritize Workplace Retirement Plan Contributions & High-Interest Debt Strategically

For many, the next key step is deciding how to balance saving into your workplace retirement plan vs. paying down high-interest debt. A simple framework can help guide this decision:

2a. Contribute to Receive Full Employer Match

If your employer offers a match on retirement contributions (such as in a 401(k) or 403(b) plan), contributing enough to receive the full match is typically a priority. The employer match represents an immediate return on your savings, making it difficult for other uses of cash to compete with this benefit.

2b. Pay Down High-Interest Debt (If Applicable)

Once you are capturing the full employer match, consider prioritizing paying off high-interest debt, such as credit card balances, if the interest rate on that debt exceeds the potential returns you could earn by investing further. Many credit card rates exceed 15% — paying this off can be one of the highest-impact financial decisions you can make.

3. Additional Contributions to Retirement Accounts

Once an emergency fund is established and high-interest debt is addressed, many savers consider contributing beyond the employer match in their company retirement plan or exploring additional retirement savings options like Traditional or Roth IRAs.

4. Other Long-Term Investments

After retirement contributions are on track, some savers explore other investment options to further grow wealth over time. These may include taxable brokerage accounts, 529 plans, or Health Savings Accounts (HSAs).

5. Lifestyle Goals and Other Savings

Once core financial needs are covered, many individuals choose to save toward personal goals that enrich their lives. This could include funding major purchases (such as a home or car), planning for future travel or supporting charitable causes.

Final Thoughts

There is no one-size-fits-all path when it comes to saving. Everyone's priorities and situations will differ based on personal goals, income level, debt, and family circumstances. The steps above reflect one general way that people often think about building a strong financial foundation.

Questions?

If you have any questions about saving or about your workplace retirement plan, please don't hesitate to contact us. We're here to help you make the most of your retirement benefits.

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