
FINANCIAL FRIDAYS nymeo Federal Credit Union

3 Tips for Short Term Investing



While many investments are designed to grow over extended periods of time, there may be occasions, such as saving for a down payment on a home, when there's only a short window of time to reach a goal.

How to position investments for the short run

Even within a period of three years or less, your specific time horizon can provide guidance on the types of assets to consider as well as the appropriate levels of risk to take. For example, a portfolio with easily accessible cash investments may be more suitable if you need the money in three months, while someone who doesn't need the money for three years may have the flexibility to consider a wider array of investment options.

Here are three guidelines to think about when investing over a short time horizon:

Tip #1: Determine your level of risk

Given such an abbreviated time period, it's prudent to reduce the level of risk in an investment plan or portfolio. A business or market cycle usually lasts more than three years¹, so there typically isn't enough time to recover from a loss that may occur if choosing higher risk assets such as stocks.

To illustrate, the stock market correction that occurred during the "dot.com" crash resulted in the S&P 500 dropping over 35% from 2000-2002 and didn't fully rebound until 2006.

The lesson learned here is that, with a maximum of three years to invest, investing in more volatile assets can lead to undesirable outcomes.

Tip #2: Consider short-term instruments

Cash is a desirable asset for managing risk and liquidity and is certainly appropriate for very short horizons. Within the fixed-income universe, securities with less than three years to maturity, such as short-term bond funds, may be a good consideration.

Tip #3: Synchronize goal timing with your assets

If your specific time horizon is known (for example, three months, 12-months or three years), invest in products that generally match your investment timeline. Consider these examples:

If you are saving for a down payment on a house that's due in six months, look for products such as short-term government bonds or AAA-rated corporate debt bonds.

If you have a down payment on a purchased item due in six months, with the remainder of the purchase price to be paid in 12 months, then look for products with varying durations of six to 12 months, such as a ladder certificate of deposit (CD).

Interested in getting help and expert advice?

Carmen, as a Nymeo member, remember that you have access to two seasoned financial advisors - Anna Behnam and Irene Tata.

**Schedule a Complimentary Consultation with Anna
& Irene**



Anna A. Behnam
Financial Advisor



Irene Tata
Financial Advisor

How much does a financial advisor cost?

Your initial meeting with Anna or Irene is complimentary! Depending on your specific need, as well as the complexity of your situation, you may choose to pay for additional options. [Schedule a time to speak with them at your convenience.](#)

Investment products are not federally or NCUA-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

The initial consultation provides an overview of financial planning concepts. You will not receive written analysis and/or recommendations.



This is an advertisement. Nymeo Federal Credit Union
Copyright 2021

[Unsubscribe](#)

Nymeo Federal Credit Union | 240-436-4000 | 855-436-4100 | nymeo.org
5210 Chairmans Court, Frederick MD 21703

