Improve Your Financial Future Through Investing

Summary: Smart investing can be possible and very beneficial to those that start early, even if you don't have much to invest.

Investing is not only for the rich and old. While many investment companies want a minimum $1,000 to start and most want more, there are other options. And let's be clear, those other options are not referring to saving. Saving is an entirely different thing that you should be doing as well to build up an emergency fund and make short-term goals.

With investing there is a measure of risk in order to gain more. The smartest investments are long-term, where you invest in a mixture of stocks and bonds that you don't touch for at least ten years. If you don't think you can go ten years without touching that money then stick to saving money.

When you have access to a workplace retirement plan, make the best of it. Many companies will offer a match to whatever to put in, plus your contributions can reduce your taxes. The key part about 401Ks is that you can't touch them before retirement without extra taxes and penalties. If your workplace doesn't offer a retirement plan, open an IRA account with a discount brokerage.

Start a 529 College Savings Plan with just a $15 or $25 monthly investment. Some state-run investments do not have a minimum investment requirement, making it a viable option for anyone.

Withdrawals for education expenses are tax-free. These plans offer options such as "age-weighted." The only big risk is if you don't end up needing to pay for a college education. Withdrawing money for things other than education expenses results in a 10 percent federal tax plus income taxes.

Consider using a digital investment advisor or "robo-advisor" to make investments for you based a computer algorithms. The fees are a fraction of what traditional investment fees are. Do your research to understand what each company requires for a minimum monthly investment. The original fees may be less, but if you don't keep up with the minimum monthly investments, the charges can add up.

Dividend reinvestment plans or DRIPs allows you to buy additional shares directly from the company once you have purchased the first share through a brokerage or transfer agent. Generally, the minimum purchase is only $25 to $50. The risk with DRIPs is that your ownership is with a few companies instead of the hundreds that you would get through mutual funds and ETFs.

Most discount brokers no longer charge monthly account fees and instead charge low, flat fees that are typically between $5 to $10. If you plan on making one large investment, this will save you money, but if you will be investing small amounts often, these fees will add up.

If after doing your research, you determine that you don't have enough money to start investing, then don't worry and just save like crazy until you do. Find a bank that can give you a high rate on your savings account. Online banks often have better interest rates.

- **See Seven Changes to Help You Have More Financial Freedom for more information.**

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