balance

YOUR GUIDE TO INVESTING, FROM $5 TO $50,000

By Kate Rockwood

The myth that men are better investors? Consider it killed: A recent Fidelity Investments study found that when women invest, their portfolios earn more annually. And thanks to new robo-adviser apps and brokerage services, boosting your savings through the stock market is easier than ever. Experts weigh in on how to make the most of your money.

Photographs by Corey Olsen

First, create a good foundation.

Still stashing all your savings at the bank? With a diverse portfolio and a lot of patience, history shows you can expect about a 7 percent return on the stock market—which trounces the 1 percent you'd probably earn in a standard savings account. Just be sure you've taken these steps before you shift more money to the market.

PAY OFF HIGH-INTEREST CONSUMER DEBT

Credit cards now hover around 12 percent interest on average, according to ValuePenguin, which means investing while juggling plastic is a nonstarter. Tighten your budget and put spare cash toward your credit card balance to wipe it clean. But student loans and car payments are in a different category: If you have an interest rate below 5 percent, you might be better off making regular payments and putting money toward investments, says Amy Keller, a financial adviser at Ameriprise in Chicago.

SET ASIDE SAVINGS

A 2017 Bankrate survey found that nearly 60 percent of people don't have $1,000 they could tap for unexpected expenses. And while money in a mutual fund is easier to access in an emergency than, say, an IRA (which in most cases you can't touch without penalty until age 59½), you don't want a fender bender to force you to sell stock when the market is low. Most financial pros recommend saving three to six months' worth of living expenses. If amassing that much feels challenging, set aside 5 percent of your take-home pay in a dedicated account, says Wendy Liebowitz, CFP, vice president at Fidelity Investments in Fort Lauderdale, Florida.

CHECK YOUR RETIREMENT ACCOUNTS

One in four people misses some portion of the employer match with a 401(k) account, according to a report by Financial Engines, a portfolio management company. If that describes you, then bumping up your contribution should happen before you worry about investing on your own. "Free money is the best money," points out Tim Maurer, CFP, director of personal finance at the BAM Alliance, an association of independent wealth management firms, and author of *Simple Money*. And with an employer match, you're doubling your money—even before it hits the market.

Next, consider your goals.

Do you want to own a second home one day? Retire early? Take a long vacation? Before you invest, think through your goals and time frame, because you always want to tie the type of investment to the term, says Liebowitz. Generally speaking, the sooner you plan to use the money, the less risk you should shoulder. (And if you're thinking of spending it in the next three to five years, investing may be too risky entirely—look at CDs or money market accounts instead.) For near-term goals, you might invest in more conservative bonds, which have a lower yield but tend to be less risky than stocks. But if your goal is set in the far-off future, your investments should tip more toward stocks. "They're volatile, but with a long investment horizon, you can weather some of those dips for more aggressive growth," says Maurer.

When investors talk about risk, they're not only talking time. There's also an emotional component, says Maurer. If you think watching your stock's value sink (even temporarily) would make you uncomfortable, stick with more conservative choices, like a mutual fund or an exchange-traded fund that aligns with your risk tolerance and timeline. (ETFs are a basket of stocks, like a mutual fund, so they're less risky than buying into one company.) You have to accept some risk, but diversification—picking a wide variety of stocks and bonds rather than doubling down on one investment—will leave you less exposed.

PROPS BY BETH FLATLEY; STYLING BY LAWRENCE J. WHRITENOUR JR.

Then start investing.

"The biggest mistake I see is people thinking they have to build up a ton of money to start investing," says Keller. "That's backward—invest now to build your money." How you invest could depend on how much dough you have on hand. Many mutual funds have a $1,000 minimum, while the cost of buying company stock is all over the map: Apple trades for about $160 at press time, while a stock at a tech start-up might cost $10. Here's how to spread your money and risk around, no matter how much you have.

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INVEST $5 TO $50

Check out new investment apps, like Acorn, Stash, and Betterment. After taking a short risk-assessment quiz, you're steered toward a group of ETFs, and you can buy a share for just $5, sometimes less. Depending on the platform, you can kick in more money whenever you like, set up automatic contributions, or, with Acorn, link the app to your debit card so that everyday transactions are rounded to the nearest dollar and the spare change gets invested. Betterment charges an annual fee equal to 0.25 percent of your portfolio, while Acorn and Stash charge $1 per month for accounts with less than $5,000.

INVEST $500

Stick to the apps above or consider Wealthfront, a robo-adviser that has a $500 minimum but manages portfolios up to $10,000 gratis. If you'd rather go the DIY route, $500 is also enough to get active with a discount brokerage firm, such as E-Trade or TD Ameritrade, and invest in ETFs or individual stocks. Both sites let you geek out over info (streaming market data, real-time quotes, live commentary, analyst research) and offer more than 100 commission-free ETFs. Just keep an eye on possible withdrawal fees and trade commissions, which can eclipse the interest earned on a small, short-term investment.

INVEST $5,000

You've cleared the hurdles for pretty much any type of investment and can head to a bank, mutual fund company, or brokerage. Diversification may take on new meaning, too, as you spread your money across different types of accounts—say, a Roth IRA plus mutual fund plus stocks or bonds or both. Whether $5,000 feels like big bucks or pocket change, it's almost universally beneficial to seek out a financial adviser, says Maurer. A few hours with a fee-only fiduciary, like Garrett Planning Network or XY Planning Network, can help align your $5,000 with your goals. You'll pay fees for advice rather than commissions on your investments.

INVEST $50,000

A general financial planner is fantastic for helping you prioritize money goals and stretch savings, but with a budget this big, you may want to seek the advice of someone who also specializes in investments, suggests Keller. At $50,000, you meet many of the minimum thresholds set by brokerage firms for this type of service, such as Fidelity's Portfolio Advisory Service. You'll be paired with a team that is constantly checking stock portfolios and that will rebalance your investments when they're out of whack with your risk tolerance. Fees were less than 1 percent last year (so if you've earned 7 percent to grow your investment to $53,500 after a year, you'd be charged $535). You can find help for less, thanks to hybrid models. For one, Vanguard Personal Advisor Services charges just 0.3 percent of your balance, because you're paired with a team rather than a sole adviser, and computer algorithms handle some of the work. Check in biannually to see how your money is faring. "If you're checking too often," says Keller, "it will drive you bonkers and raise your stress."

FROM LEFT: LODIS MINI CARD CASE, $42, AND BEV CARD KEYS COINS, $78; LODIS.COM. J.CREW MEDIUM POUCH, $60; JCREW.COM