# 12 Best Investments for Any Age or Income

Your investment options go far beyond just stocks. Here's the what, why, when and how of choosing the best investments for you.

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The term "investing" may conjure images of the frenetic New York Stock Exchange, or perhaps you think it's something only meant for those wealthier, older or further along in their careers than you. But this couldn't be further from the truth. When done responsibly, investing is the best way to grow your money, and most types of investments are accessible to virtually anyone regardless of age, income or career. Such factors will, however, influence which investments are best for you at this particular moment.

For example, someone close to retirement with a healthy nest egg will likely have a very different investment plan than someone just starting out in their career with no savings to speak of. Neither of these individuals should avoid investing; they should just choose the best investments for their individual circumstances.

# But what to invest in right now amid such volatility?

"Certain things going on with today's market are unique to history and that's not going to last forever. If you're a long-term investor, the Federal Reserve is still credible and will get inflation under control," says certified financial planner Austin Litvak, Director of Research for O'Brien Wealth partners in Boston, Massachusetts.

It's normal to worry about your investments, especially in a year that has seen major drops in both the stock and bond markets. And getting into investing at a time of such volatility can feel scary. Nevertheless, taking an investment approach that's appropriate for your particular financial situation and time horizon — and features the right asset allocation for you — means you won't miss out on any potential recovery.

The bottom line: Short-term lows in the stock and bond markets due to factors like war, a pandemic and inflation shouldn't keep you from investing entirely, especially if you're diversified across a range of assets and have a long-term plan in place.

Here are 12 best investments for consideration, generally ordered by risk from lowest to highest. Keep in mind that lower risk typically also means lower returns.

## 12 best investments

- 1. High-yield savings accounts
- Certificates of deposit (CDs)
- 3. Money market funds
- 4. Government bonds
- 5. Corporate bonds
- 6. Mutual Funds
- 7. Index funds
- 8. Exchange-traded funds (ETFs)
- 9. Dividend stocks
- 10. Individual stocks
- 11. Alternative investments and cryptocurrencies
- 12. Real estate

# 1. High-yield savings accounts

Online savings accounts and cash management accounts provide higher rates of return than you'll get in a traditional bank savings or checking account. Cash management accounts are like a savings account-checking account hybrid: They may pay interest rates similar to savings accounts, but are typically offered by brokerage firms and may come with debit cards or checks.

Best for: Savings accounts are best for short-term savings or money you need to access only occasionally — think an emergency or vacation fund. Transactions from a savings account are limited to six per month. Cash management accounts offer more flexibility and similar — or in some cases, higher — interest rates.

If you're new to saving and investing, a good rule of thumb is to keep between three and six months' worth of living expenses in an account like this before allocating more toward the investment products lower on this list.

Where to open a savings account: Due to lower overhead costs, online banks tend to offer higher rates than what you'll get at traditional banks with physical branches. See our roundup of the best high-yield savings accounts to find one that fits your needs.

Where to open a cash management account: Investment companies and robo-advisors like Betterment and SoFi offer competitive rates on cash management accounts.

# 2. Certificates of deposit

A certificate of deposit, or CD, is a federally insured savings account that offers a fixed interest rate for a defined period of time.

Best for: A CD is for money you know you'll need at a fixed date in the future (e.g., a home down payment or a wedding). Common term lengths are one, three and five years, so if you're trying to safely grow your money for a specific purpose within a predetermined time frame, CDs could be a good option. It's important to note, though, that to get your money out of a CD early, you'll likely have to pay a fee. As with other types of investments, don't buy a CD with money you might need soon.

Where to buy CDs: CDs are sold based on term length, and the best rates are generally found at online banks and credit unions. See the best CD rates right now based on term length and account minimums.

## 3. Money market funds

Money market mutual funds are an investment product, not to be confused with money market accounts, which are bank deposit accounts similar to savings accounts. When you invest in a money market fund, your money buys a collection of high-quality, short-term government, bank or corporate debt.

Best for: Money you may need soon that you're willing to expose to a little more market risk. Investors also use money market funds to hold a portion of their portfolio in a safer investment than stocks, or as a holding pen for money earmarked for future investment. While money market funds are technically an investment, don't expect the higher returns (and higher risk) of other investments on this page. Money market fund growth is more akin to high-yield savings account yields.

Where to buy a money market mutual fund: Money market mutual funds can be purchased directly from a mutual fund provider or a bank, but the broadest selection will be available from an online discount brokerage (you'll need to open a brokerage account).

#### 4. Government Bonds

A government bond is a loan from you to a government entity (like the federal or municipal government) that pays investors interest on the loan over a set period of time, typically one to 30 years. Because of that steady stream of payments, bonds are known as a fixed-income security. Government bonds are virtually a risk-free investment, as they're backed by the full faith and credit of the U.S. government.

The drawbacks? In exchange for that safety, you won't see as high of a return with government bonds as other types of investments. If you were to have a portfolio of 100% bonds (as opposed to a mix of stocks and bonds), it would be substantially harder to hit your retirement or long-term goals. (For more, see our bond explainer.)

Best for: Conservative investors who would prefer to see less volatility in their portfolio.

"Bonds offer a ballast to a portfolio, usually going up when stocks go down, which enables nervous investors to stay the course with their investment plan, and not panic sell," says Delia Fernandez, a certified financial planner and founder of Fernandez Financial Advisory in Los Alamitos, California.

The fixed income and lower volatility from bonds make them common with investors nearing or already in retirement, as these individuals may not have a long enough investment horizon to weather unexpected or severe market declines.

Where to buy government bonds: You can buy individual bonds or bond funds, which hold a variety of bonds to provide diversification, from a broker or directly from the underwriting investment bank or the U.S. government. Our primer on how to invest in bonds will help you identify which types to buy and where.

## 5. Corporate bonds

Corporate bonds operate in the same way as government bonds, only you're making a loan to a company, not a government. As such, these loans are not backed by the government, making them a riskier option. And if it's a high-yield bond (sometimes known as a junk bond), these can actually be substantially riskier, taking on a risk/return profile that more resembles stocks than bonds.

Best for: Investors looking for a fixed-income security with potentially higher yields than government bonds, and willing to take on a bit more risk in return. In corporate bonds, the higher the likelihood the company will go out of business, the higher the yield. Conversely, bonds issued by large, stable companies will typically have a lower yield. It's up to the investor to find the risk/return balance that works for them.

Where to buy corporate bonds: Similar to government bonds, you can buy corporate bond funds or individual bonds through an investment broker.

## 6. Mutual funds

A mutual fund pools cash from investors to buy stocks, bonds or other assets. Mutual funds offer investors an inexpensive way to diversify — spreading their money across multiple investments — to hedge against any single investment's losses.

Best for: If you're saving for retirement or another long-term goal, mutual funds are a convenient way to get exposure to the stock market's superior investment returns without having to purchase and manage a portfolio of individual stocks. Some funds limit the scope of their investments to companies that fit certain criteria, such as technology companies in the biotech industry or corporations that pay high dividends. That allows you to focus on certain investing niches.

Where to buy mutual funds: Mutual funds are available directly from the companies that manage them, as well as through discount brokerage firms. Almost all of the mutual fund providers we review offer no-transaction-fee mutual funds (which means no commissions) as well as tools to help you pick funds. Be aware that mutual funds typically require a minimum initial investment of anywhere from \$500 to thousands of dollars, although some providers will waive the minimum if you agree to set up automatic monthly investments.

#### 7. Index funds

An index fund is a type of mutual fund that holds the stocks in a particular market index (e.g., the S&P 500 or the Dow Jones Industrial Average). The aim is to provide investment returns equal to the underlying index's performance, as opposed to an actively managed mutual fund that pays a professional to curate a fund's holdings.

Best for: Index mutual funds are some of the best investments available for long-term savings goals. In addition to being more cost-effective due to lower fund management fees, index mutual funds are less volatile than actively managed funds that try to beat the market.

Index funds can be especially well-suited for young investors with a long timeline, who can allocate more of their portfolio toward higher-returning stock funds than more conservative investments, such as bonds. According to Fernandez, young investors who can emotionally weather the market's ups and downs could even do well to invest their entire portfolio in stock funds in the early stages.

"If they have a 30-year time horizon — and won't even think of taking the money out for 30 years — then they definitely should consider starting their retirement funds with 100% stocks," Fernandez says.

Stock market data may be delayed up to 20 minutes and is intended solely for informational purposes, not for trading purposes.

Where to buy index funds: Index funds are available directly from fund providers or through a discount broker. See our post on how to invest in index funds.

# 8. Exchange-traded funds

Exchange-traded funds, or ETFs, are like mutual funds in that they pool investor money to buy a collection of securities, providing a single diversified investment. The difference is how they are sold: Investors buy shares of ETFs just like they would buy shares of an individual stock.

Best for: Like index funds and mutual funds, ETFs are a good investment if you have a long time horizon. Beyond that, ETFs are ideal for investors who don't have enough money to meet the minimum investment requirements for a mutual fund because an ETF share price may be lower than a mutual fund minimum.

Where to buy ETFs: ETFs have ticker symbols like stocks and are available through discount brokerages. (See our roundup of best brokers for ETF investing.) Robo-advisors also use ETFs to construct client portfolios.

#### 9. Dividend stocks

Dividend stocks can provide the fixed income of bonds as well as the growth of individual stocks and stock funds. Dividends are regular cash payments companies pay to shareholders and are often associated with stable, profitable companies. While share prices of some dividend stocks may not rise as high or quickly as growth-stage companies, they can be attractive to investors because of the dividends and stability they provide. Keep in mind: dividends in taxable brokerage accounts are taxable the year dividends occur. Whereas stocks (that do not pay dividends) are primary taxed when the stock is sold.

Best for: Any investor, from first-timer to retiree, though there are specific types of dividend stocks that may be better depending on where you are in your investing journey.

Young investors, for example, may do well to look into dividend growers, which are companies with a strong track record of consecutively increasing their dividends. These companies may not have high yields currently, but if their dividend growth keeps up, they could in the future. Over a long enough time frame, this (combined with a dividend reinvestment plan) can lead to returns that mirror those of growth stocks that don't pay dividends.

Older investors looking for more stability or fixed income could consider stocks that pay consistent dividends. On a shorter timeline, reinvesting these dividends may not be the goal; rather, taking the dividends as cash could be a part of a fixed-income investing plan.

Where to buy dividend stocks: Similar to others on this list, the easiest way to buy dividend stocks is through an online broker. See our post on high-dividend stocks and how to invest in them for more information.

## 10. Individual stocks

A stock represents a share of ownership in a company. Stocks offer the biggest potential return on your investment while exposing your money to the highest level of volatility.

These cautionary words aren't meant to scare you away from stocks. Rather, they're meant to guide you toward the diversification that buying a collection of stocks through mutual funds provides, as opposed to buying individually.

Best for: Investors with a well-diversified portfolio who are willing to take on a little more risk. Due to the volatility of individual stocks, a good rule of thumb for investors is to limit their individual stock holdings to 10% or less of their overall portfolio.

Where to buy stocks: The easiest and least expensive way to buy stocks is through an online discount broker. Once you set up and fund an account you'll choose your order type and become a bona fide shareholder. Here are step-by-step instructions on how to buy stocks.

#### 11. Alternative investments

If you're not investing in the stock, bond or cash equivalent instruments listed above, there's a good chance your investment is part of the alternative assets class. This

includes cryptocurrencies like Bitcoin and Ethereum, gold and silver, private equity, hedge funds and even coins, stamps, alcohol and art.

Alternative investments rose in popularity in the years following the Great Recession, when both stockholders and bondholders saw their savings drop significantly. Gold prices, for example, surged in 2011, hitting highs that weren't toppled until August 2020. But this is par for the course in alternative investments, as these often unregulated instruments are rife with volatility.

Best for: Investors (accredited investors, in many cases) who want to diversify away from traditional investments and hedge against stock and bond market downturns.

Where to buy alternative investments: While some online brokers will offer access to certain alternative investments, most alternatives are available only through private wealth management firms. However, there are ETFs — such as gold and private equity ETFs — that track the asset itself, as well as companies related to the asset (such as gold mining and refining companies).

#### 12. Real estate

Traditional real estate investing involves buying a property and selling it later for a profit, or owning property and collecting rent as a form of fixed income. But there are several other, far more hands-off ways to invest in real estate.

One common way is through real estate investment trusts, or REITs. These are companies that own income-generating properties (think malls, hotels, offices, etc.) and offer regular dividend payments. Real estate crowdfunding platforms, which often pool investors' money to invest in real estate projects, have also risen in popularity in recent years.

Best for: Investors who already have a healthy investment portfolio and are looking for further diversification, or are willing to take more risk to chase higher returns. Real estate investments are highly illiquid, so investors shouldn't put into an investment any money they may need to access quickly.

How to invest in real estate: Some REITs can be purchased on the public stock market through an online stockbroker, while others are only available in private markets. Similarly, some crowdfunding platforms are open to accredited investors only, while others don't put restrictions on who can invest.

# How to choose the right investments

Building wealth through the investments outlined above can start at any age and at any income level. The key is to choose the right investments for you based on the following considerations:

- Your timeline. Money earmarked for near-term needs should be easily accessible and in a safe and stable investment. For long-term goals, you have more leeway to invest in more volatile assets.
- Your risk tolerance. The more risk you're willing to take by exposing your money to the short-term swings of the stock market, the higher the long-term potential payoff.
   Spreading your money across different types of investments will smooth out your investment returns.
- How much money you have. Some investments have minimum balance or initial investment requirements. But there are workarounds and providers that can accommodate most investment budgets if you know where to look.
- How much help you need. DIY investors can access many of the investments outlined above by opening a brokerage account here's a full guide to brokerage accounts. If you're not sure which investments are best for your situation, you can hire a low-cost, automated service called a robo-advisor to build an investment portfolio for you based on the criteria above. Some short-term investments, like savings accounts, can be opened at a bank.

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