

3 potential benefits of investing for growth

Adding some growth potential could lead to more comfortable outcomes.



Key takeaways

Cash and short-term investments do play an important role in your financial plan.

But having too much in cash can be surprisingly risky over the long term. There is relatively little growth potential, you may lose purchasing power to inflation, and run the risk of falling short of your goals.

A diversified mix of investments like stocks, bonds, and short-term investments can help you target the level of risk you feel comfortable with, providing some growth potential with less volatility than investing in just stocks.

Financial professionals can help you create a financial plan that fits your needs and could help you reach your goals.

Cash and short-term investments play important roles in a financial plan, mainly providing liquidity and a buffer against market volatility. They also provide orderly and routine returns that feel safe and predictable. But there can be some downsides if they make up the majority or entirety of your long-term investment mix.

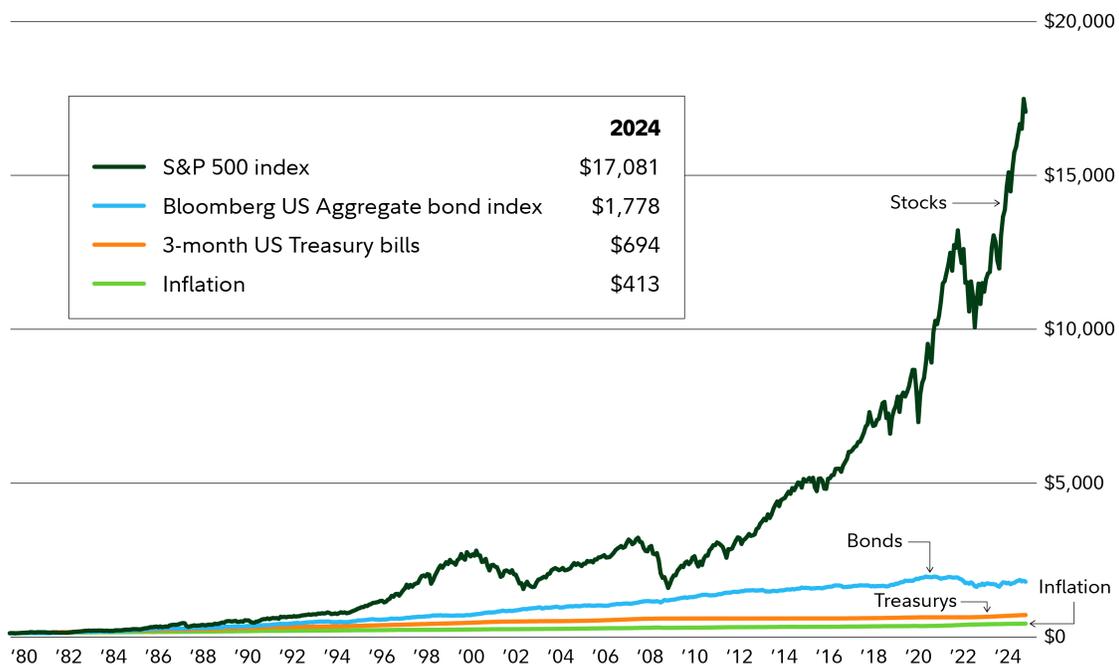
Here are 3 potential benefits of investing in stocks, bonds, and other investments that can provide growth potential—plus 2 ways to do that confidently and help reach your goals.

1. Your money may grow more quickly

High-yield savings accounts and safe investments like money market funds trade yield for stability. While your account value won't generally go down due to events outside your control, it may not go up very much over time either.

Looking back historically, investing in short-term investments has been OK for investors, but nowhere near as good as in stocks, or a combination stocks, bonds, and cash. Diversifying away from cash has generally led to stronger returns for investors, which means they have often reached their financial goals more easily.

How \$100 grew since 1980



Strategic Advisers. Hypothetical value of assets held in untaxed portfolios invested in US stocks, bonds, or short-term investments. Actual historical data were used to compute the growth of \$100 invested in these portfolios for the period between Jan. 1, 1980 and Dec. 31, 2024. Stocks, bonds, and short-term investments are represented by total returns of the S&P 500 Index, Bloomberg Aggregate Bond Index, 3-month Treasury Bills. **Past performance is no guarantee of future results.**

2. Fight inflation and help maintain purchasing power

Inflation is something that everyone has experienced, particularly in recent years. It's hard to miss that your money doesn't go as far as it used to—your usual purchases like groceries and prescriptions may be taking up a bigger chunk of your paycheck or savings than they used to.

Earning a rate of return higher than the rate of inflation can help ensure that you're able to continue to afford the things you want to buy. Unfortunately, "the return on short-term investments over the long run has barely kept up with inflation, so it's hard to stay ahead, especially when there is the potential for higher-than-average inflation," says Malwal.

A related risk of staying in relatively safer areas like savings accounts, Treasuries, and CDs can be reinvestment risk. When the Federal Reserve raises interest rates, savers can benefit as yields rise. But when the Fed lowers interest rates, the yield on safer investments tends to go down. So it can be hard to replace a maturing investment with another one with the same risk and return.

For example, let's say you buy a 3-year CD today with a 5% annual percentage yield (APY). Then over the 3-year term, interest rates fall. When your CD matures and you want to buy another one, you may have to accept lower yields or buy a longer-term CD. There's no guarantee that you will be able to reinvest your money at the same level of risk and receive the same level of return in the future.

3. You may have a better shot at reaching your goals

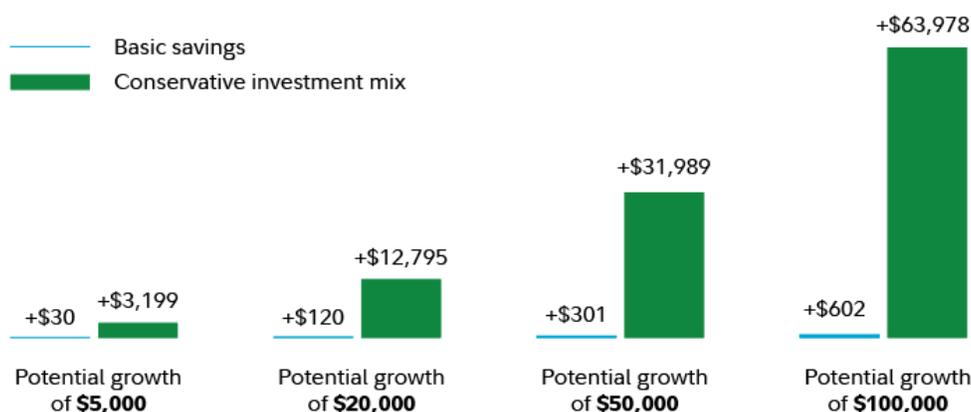
Retirement is one big goal most people have, but there are myriad other goals that you may be working toward: a dream vacation, a wedding, a big party, a new car, remodeling the kitchen, and so on. If there are several years until your goal, investing for more growth potential could potentially help you successfully reach or exceed your goal.

By investing in a more diverse mix of stocks and bonds and short-term investments, the investor has a higher chance of achieving their goal, potentially with a couple of added benefits. With a higher rate of return, they may reach their goal quicker. And, once they actually reach the end of their time frame, they could have more money than they otherwise would have. The possibility of having more to spend in the future would be a potential benefit that the saver could miss out on compared to a cash investor.

More than 1 in 10 retirement investors has an investment mix that would be considered too conservative for their time frame. A little extra return could potentially improve their chances of maintaining their lifestyle in retirement.

See how much you can earn by investing

See how money could potentially grow in a traditional savings account compared to a conservative investment strategy over 10 years in an average market.³



Estimates are based on historical returns. A conservative Investing mix is based on 20% stocks, 50% bonds, 30% short term investments. **Past performance is not indicative of future results.** Investing involved risk, including the risk of loss. **The investment strategies presented here have different fees, guarantees and risk, and you should carefully consider these prior to investing.** Please see footnote 3 for additional important information.

Diversification may be a better way to manage investment risk

There's no perfect investment that offers the best of all worlds—low risk and high returns. But there is a way to take advantage of the many different patterns of investment risk and return: diversification.

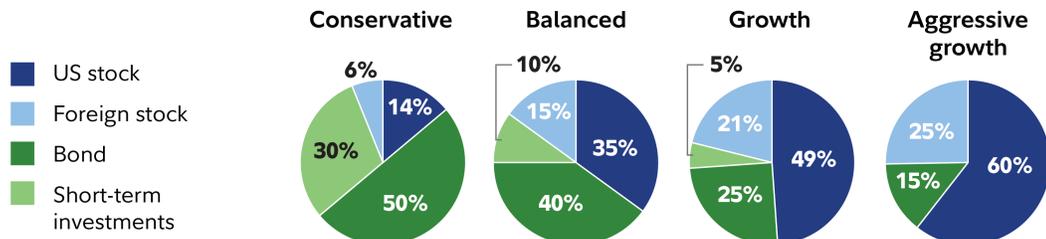
Diversification can be a helpful strategy because different types of investments offer varying levels of risk and return. Some types of investments may outperform during economic downturns while others shine brightest during boom times. Some investments may do well as interest rates rise while others get a boost from low interest rates.

The goal of diversification is not necessarily to boost performance—it won't ensure gains or guarantee against losses. But diversification does have the potential to improve returns for whatever level of risk you choose to target.

A risk-averse investor could still invest in short-term investments like money market funds, CDs, and Treasuries with the addition of bonds and a small portion of equities. By mixing riskier investments with some relatively safer choices, they may be able to get a higher return while still keeping the risk of losing money low.

If you're not sure how to do it yourself, there's good news: Financial professionals can help you pick investments and balance the need for principal protection with the need for some growth potential. By determining an appropriate rate of return to target based on your financial situation, time frame, and comfort with risk—while accounting for inflation—professionals can work with you to determine what investments and strategies may fit your goals. And they can help in many more ways as well.

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	ANNUAL RETURN %			
Average annual return	5.78%	7.83%	8.89%	9.62%
Worst 12-month return	-17.67%	-40.64%	-52.92%	-60.78%
Best 12-month return	31.06%	76.57%	109.55%	136.07%
Worst 20-year return (annualized)	2.92%	3.43%	3.10%	2.66%
Best 20-year return (annualized)	10.98%	13.84%	15.34%	16.49%
Historical volatility	4.57%	9.57%	13.02%	15.68%

Past performance is no guarantee of future results.

Returns include the reinvestment of dividends and other earnings. This chart is for illustrative purposes only. It is not possible to invest directly in an index. This chart is not intended to represent the actual or future performance of any investment option or strategy. Time periods for best and worst returns are based on calendar year. For information on the indexes used to construct this table, see Data Source in the notes below. The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet an investor's goals. You should choose your own investments based on your particular objectives and situation. Be sure to review your decisions periodically to make sure they are still consistent with your goals.

The importance of a long-term focus

Rolling period	100% U.S. stocks		65% stocks / 35% bonds	
	Odds of positive returns	Lowest return over period	Odds of positive returns	Lowest return over period
1 month	65.4%	-21.5%	66.9%	-14.6%
1 year	81.7%	-43.3%	83.4%	-28.0%
3 years	88.3%	-16.1%	91.1%	-7.4%
5 years	89.8%	-6.6%	99.4%	-2.3%
10 years	94.3%	-3.4%	100.0%	0.35%

Source: Morningstar Direct, 1/1/1980–12/31/2024. U.S. stocks represented by the S&P 500 TR USD Index. Bonds represented by the Bloomberg US Aggregate TR USD Index. An index is unmanaged, not available for direct investment and not meant to predict an actual investment. The 65% stocks/35% bonds portfolio was rebalanced at the beginning of each year. Three-, five- and 10-year lowest returns annualized. We assume reinvestment of interest and dividends back into the indexes. For illustrative purposes only, not a portfolio available for investment. Calculations do not include the impacts of trading, liquidity, costs, fees or taxes a client can experience when investing, which would lower performance results. Past performance does not guarantee future results. Diversification and rebalancing do not ensure a profit or protect against a loss in a declining market.

While short-term returns can fluctuate, the table above shows that, in general, the longer you own your investments, the more likely your returns will be positive and the closer your return could be to the long-term average. The table also highlights how volatility, or the amount a portfolio fluctuates, may differ when the asset allocation is different.

While a greater stock allocation may lead to a higher long-term expected return, you should also expect more volatility, especially in the short term. As you evaluate your portfolio's performance, you should compare its long-term returns to the rate you determined you needed to reach your financial goals — paying less attention to short-term performance differences along the way.