00:00:20:01 - 00:00:49:13

Speaker 1

Welcome, my name is Andrew Baron and this is, “Well… It Depends!” The podcast where I present the pros and cons of financial decisions so that you, the audience, feel better informed when you are confronted with these decisions in your own life. In this episode, I ask the question, is my money safe? But before we begin a short disclaimer. This is being recorded on March 21st, 2023.

00:00:50:03 - 00:01:20:07

Speaker 1

Please note the information provided in this podcast is for educational purposes only and is not to be considered investment, tax or legal advice. It is important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically. There are a number of factors that can impact the safety of your money, and it's important to consider all of them when making decisions about where to invest or store your funds.

00:01:21:02 - 00:01:45:05

Speaker 1

Let's take a closer look at some of the key factors that could impact the safety of your money. First and foremost, it's important to consider the institution where you're keeping your money. If you're using a bank, you'll want to make sure that it is FDIC insured. This means that your deposits are insured up to $250,000 per depositor, per insured bank for each account ownership category.

00:01:45:17 - 00:02:12:11

Speaker 1

This means a married couple can have an individual account each and a joint account insuring $750,000 at a single institution. This is a crucial factor ensuring that your money is safe as it provides a level of protection against the bank failing or going bankrupt. Another factor to consider is the type of investment you're making, some investments such as bonds or certificates of deposit

00:02:12:14 - 00:02:42:00

Speaker 1

(CD’s) are considered to be relatively safe because they provide a guaranteed rate of return and are backed by the issuer. Other investments, such as stocks or mutual funds, carry more risk because their value can fluctuate based on market conditions. Similar to FDIC, there is another insurance called SIPC, which is a nonprofit organization created by Congress to protect investors if their brokerage firm goes bankrupt.

00:02:42:12 - 00:03:09:18

Speaker 1

SIPC insurance covers up to $500,000 per account, including up to $250,000 for cash deposits. It's important to note that SIPC insurance does not protect against investment losses or fraud, only against the brokerage firm failure. However, it is still a valuable safeguard that can give investors peace of mind. It's important to check if your broker is a member of SIPC and how they are covered.

00:03:10:11 - 00:03:41:13

Speaker 1

Now let's talk about gold. Gold has long been considered a safe haven investment, especially during times of economic uncertainty. However, investing in physical gold bullion can be tricky. First, there's the issue of buying and selling. Unlike stocks and bonds, gold bullion is not traded on a public exchange. So buying and selling can be more challenging. Additionally, gold bullion dealers often charge a premium over the spot price, which can eat into your returns.

00:03:41:19 - 00:04:04:15

Speaker 1

Another issue with gold bullion is storage. Physical gold needs to be stored in a secure location, like a safe deposit box, which can add to the additional cost. That being said, gold can be a valuable part of a diversified portfolio. It's important to carefully consider the pros and cons before investing in gold and only work with reputable dealers.

00:04:05:13 - 00:04:31:16

Speaker 1

Another option that some people consider for keeping their money safe is keeping cash under their mattress or in a home safe. While this may provide a sense of security, it's important to understand that keeping large amounts of cash at your home comes with significant risks. Cash can be stolen or lost in a fire or other natural disaster, and it is not insured by either the FDIC or the SIPC.

00:04:32:06 - 00:04:58:08

Speaker 1

In addition, keeping large amounts of cash at home can make you a target for theft or worse, can lead to a family dispute if not handled correctly. Therefore, it's generally recommended to keep only small amounts of cash at home for emergencies and to keep the majority of your funds in a bank or other insured institution. It's also important to consider the risks associated with specific investment strategies.

00:04:58:19 - 00:05:32:19

Speaker 1

For example, if you're investing in real estate, you'll need to consider factors such as location, property values and potential for rental income. Similarly, if you're investing in stocks, you'll need to consider the company's financial health, management team and overall market conditions. To recap, ultimately, the safety of your money depends on a number of different factors, including the institution where you're keeping your funds, the type of investment you're making, and the specific investment strategy you're pursuing.

00:05:33:08 - 00:06:00:17

Speaker 1

It's important to do your research and consider all of these factors carefully when making decisions about where to invest and store your money. That being said, it's also important to remember that no investment is completely risk free. Even the safest investments carry some level of risk, and it's important to be prepared for the possibility of losing some or all of your investment, depending on the level of risk you take.

00:06:01:10 - 00:06:39:08

Speaker 1

This is why it's important to diversify your portfolio and not put all of your eggs in one basket. So to answer the question, is your money safe? Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA