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Welcome. My name is Andrew Baron, and this is “Well… It Depends!”. The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question, what types of account should I have? But before we begin a short disclaimer. This is being recorded on January 29th, 2024. The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice.

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It's important to consult with a professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Getting into it, what types of accounts should I have? Well… It Depends! Let's start off with the cornerstone of personal finance, checking accounts. These accounts are essential for managing day-to-day transactions and for saving income.

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Some people may benefit from streamlining their finances by only having one checking account. Others may benefit by using multiple accounts to separate goals and expenses.

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Moving on to savings accounts. These are the default accounts for stashing away funds, but the utility of these accounts can vary wildly. Options such as high yield savings accounts and money markets may offer higher yield than traditional savings accounts.

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If you plan on retiring one day, you should probably have a retirement account. You may be offered a retirement plan through your employer, such as a 401K or 403B. These plans have the added benefit of employer contributions, which can help you reach your goals quicker. Individual retirement accounts or IRAs have more flexibility in their investment options than their employer base plan counterparts. However, they also have lower annual contribution limits as to whether you should use the traditional or Roth version of a retirement account comes down to what you expect your retirement income to be relative to your current income.

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If you think that tax rates will be lower for yourself in retirement, you should use the traditional so that you can enjoy the tax savings today. If instead you expect tax rates to go up, you should contribute to the Roth. Pay taxes today so that you can enjoy tax free withdrawals in retirement.

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What about other investment accounts?

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There is the standard brokerage account which allows for more flexibility in when you can use the money but does come with annual tax implications. For more specialized goals, consider a 529 plan for education savings or a health savings account, or HSA, which has tax advantages for health care expenses.

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To recap, a checking account is fundamental and is used to handle day-to-day transactions. A savings account is just that, an account for you to save it. Consider using a high yield savings account or a money market fund for best interest rates, Retirement accounts coming to flavors, employer-based plans, and individual retirement accounts.

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Employer plans often come with the added benefit of additional contributions, while IRAs provide flexibility in investment options. After the debate between traditional and Roth options, it ultimately comes down to what you anticipate your retirement income to be. With higher or lower rates than you're currently paying. As for your other investment goals, consider using a brokerage account for flexibility in how the money is used, a 529 account for education savings or an HSA for health care expenses.

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So, to answer the question what types of accounts should I have? Well… It Depends!