Saving vs. Investing

If you're not sure whether it's time for you to start investing, or if you should focus on saving, the answer depends on your goals, risk tolerance, and financial situation.

The difference between saving and investing

- **Saving** — putting money aside gradually, typically into a bank account. People generally save for a particular goal, like paying for a car, a down payment on a house, or any emergencies that might come up. Saving can also mean putting your money into products such as a bank account ,company deposit.
- **Investing** — using some of your money with the aim of helping to make it grow by buying assets that might increase in value, such as stocks, property or shares in a mutual fund.

Compare saving vs. investing

Saving

- **For the short term**. Typically for smaller, shorter-term goals in the near future like saving for a large purchase or for an emergency.
- **Ready access to cash**. A savings account gives you access to cash when you need it.
- **Involves minimal risk**. Your funds are insured by Deposit Insurance and Credit Guarantee Corporation (DICGC) up to to ₹ 5 lakh per depositor.
- **Earn interest**. You can earn interest by putting money in a savings account, but savings accounts generally earn a lower return than investments.

Investing

- **Usually used for long-term goals**. Investing may help you reach long-term goals, such as paying for a child's education or planning for retirement.
- **Longer wait to access invested funds**. When you invest your money, it can take a few more days to access your money compared to a savings account.
- **Always involves risk**. Investing does not guarantee a return, and it is possible to lose some or all of the funds invested.
- **Earnings potential**. Investments typically have the potential for higher return than a savings account.

Should you invest now or wait?

You may want to consider starting your investment strategy after you've:

- **Built your emergency savings**. Savings should come first. Before investing, try to make sure you have a separate low-risk, low-return account you can use to cover expenses during an unforeseen event — typically at least three to six months worth of living expenses.
- **Paid off high-interest debt**. By paying off high-interest debt in full, you'll reduce the total amount you owe faster and free up money to put toward savings or investing.

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