**Safe Assets** (liquid assets)

1. **Cash** – having a lot cash over the long term can be dangerous and costly. Cash can burn in a fire, be stolen by thieves, or eroded by inflation.
2. **Checking Account** - A transactional account ([North America](http://en.wikipedia.org/wiki/North_America): checking account or chequing account,[[1]](http://en.wikipedia.org/wiki/Transactional_account#cite_note-0) [United Kingdom](http://en.wikipedia.org/wiki/United_Kingdom) and some other countries: current account or cheque account) is a [deposit account](http://en.wikipedia.org/wiki/Deposit_account) held at a [bank](http://en.wikipedia.org/wiki/Bank) or other [financial institution](http://en.wikipedia.org/wiki/Financial_institution), for the purpose of securely and quickly providing frequent access to funds on demand, through a variety of different channels. Because money is available on demand these accounts are also referred to as demand accounts or demand deposit accounts.
3. **Savings Account** - are accounts maintained by retail [financial institutions](http://en.wikipedia.org/wiki/Financial_institution) that pay [interest](http://en.wikipedia.org/wiki/Interest) but can not be used directly as [money](http://en.wikipedia.org/wiki/Money) ( for example, by writing a [cheque](http://en.wikipedia.org/wiki/Cheque)). These accounts let customers set aside a portion of their liquid assets while earning a monetary return.
4. **Money Market Accounts** - is a [deposit account](http://en.wikipedia.org/wiki/Deposit_account) with a relatively high rate of [interest](http://en.wikipedia.org/wiki/Interest), and short notice (or no notice) required for withdrawals. In the United States, it is a style of instant access deposit subject to federal [savings account](http://en.wikipedia.org/wiki/Savings_account) regulations, such as a monthly transaction limit.
5. **Certificate of Deposit** - A certificate of deposit or CD is a [time deposit](http://en.wikipedia.org/wiki/Time_deposit), a financial product commonly offered to consumers by [banks](http://en.wikipedia.org/wiki/Bank), [thrift institutions](http://en.wikipedia.org/wiki/Savings_and_loan_association), and [credit unions](http://en.wikipedia.org/wiki/Credit_union).

CDs are similar to savings accounts in that they are insured and thus virtually risk-free; they are "money in the bank" (CDs are insured by the [FDIC](http://en.wikipedia.org/wiki/Federal_Deposit_Insurance_Corporation) for banks or by the [NCUA](http://en.wikipedia.org/wiki/National_Credit_Union_Administration) for credit unions). They are different from [savings accounts](http://en.wikipedia.org/wiki/Savings_deposit) in that the CD has a specific, fixed term (often three months, six months, or one to five years), and, usually, a fixed [interest rate](http://en.wikipedia.org/wiki/Interest_rate). It is intended that the CD be held until [maturity](http://en.wikipedia.org/wiki/Maturity_%28finance%29), at which time the money may be withdrawn together with the accrued [interest](http://en.wikipedia.org/wiki/Interest_%28finance%29).

**Riskier Assets**

1. **Mutual Funds** - (recommended for most investments) (usually what is found in 401(k)s is a professionally managed type of collective investment scheme that pools money from many investors and invests it in [stocks](http://en.wikipedia.org/wiki/Stock), [bonds](http://en.wikipedia.org/wiki/Bond_%28finance%29), short-term [money market](http://en.wikipedia.org/wiki/Money_market) instruments, and/or other [securities](http://en.wikipedia.org/wiki/Security_%28finance%29).[[1]](http://en.wikipedia.org/wiki/Mutual_fund#cite_note-0) The mutual fund will have a [fund manager](http://en.wikipedia.org/wiki/Fund_manager) that [trades](http://en.wikipedia.org/wiki/Trade_%28financial_instrument%29) the pooled money on a regular basis. The net proceeds or losses are then typically distributed to the investors annually.
2. **Bonds** - is a debt [security](http://en.wikipedia.org/wiki/Security_%28finance%29), in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay [interest](http://en.wikipedia.org/wiki/Interest) (the [coupon](http://en.wikipedia.org/wiki/Coupon_%28bond%29)) and/or to repay the principal at a later date, termed [maturity](http://en.wikipedia.org/wiki/Maturity_%28finance%29). A bond is a formal contract to repay borrowed money with interest at fixed intervals.[[1]](http://en.wikipedia.org/wiki/Bond_%28finance%29#cite_note-0)

Thus a bond is like a [loan](http://en.wikipedia.org/wiki/Loan): the *issuer* is the borrower (debtor), the *holder* is the lender (creditor), and the *coupon* is the interest. Bonds provide the borrower with external funds to finance long-term [investments](http://en.wikipedia.org/wiki/Investment), or, in the case of government bonds, to finance current expenditure.

1. **Stocks** - is a form of corporate [equity](http://en.wikipedia.org/wiki/Ownership_equity) ownership, a type of [security](http://en.wikipedia.org/wiki/Security_%28finance%29). It is called "common" to distinguish it from [preferred stock](http://en.wikipedia.org/wiki/Preferred_stock). In the event of [bankruptcy](http://en.wikipedia.org/wiki/Bankruptcy), common stock investors receive their funds after [preferred stock](http://en.wikipedia.org/wiki/Preferred_stock) holders, bondholders, creditors, etc. On the other hand, common shares on average perform better than preferred shares or bonds over time.