



(UBS)

Planning worksheet: Where should I put my savings?

24 February 2025, 5:23 pm EST, written by US Editorial Team UBS Editorial Team

The savings waterfall worksheet from UBS's Chief Investment Office (CIO) helps you to prioritize your savings across multiple account types, prioritizing after-tax growth potential.

From 401(k) accounts and IRAs to Health Savings Accounts (HSA) and 529 College Savings plans, you and your family have a wide range of options for investing your savings.

Prioritizing your savings given all of these options can be difficult, especially because each account type comes with its own set of tax benefits, contribution limits, and withdrawal rules.

In our ["Savings waterfall" worksheet](#), we summarize the key elements of each account type and aim to help you to prioritize your savings based on your family's earnings, savings strategy, company benefits programs, and financial goals.

The first priority is to build an emergency fund. We recommend setting aside resources to meet six to 12 months of your spending needs. This will help you pay for unexpected expenses, and also help protect against the risk of temporary unemployment.

After that, we've identified the options that offer the greatest impact based on after-tax return potential. The obvious starting point is allocating to your 401(k) to take advantage of your company's match (if there is one), since this is like getting an immediate 100% return (in a tax-advantaged account) on the matched dollars. As you make and save more money, you will be able to allocate your savings further down the waterfall.

After reviewing the savings waterfall, discuss it with your family and financial advisor so that you can develop a savings and investing strategy that meets your family's unique needs. When executing your savings plan, we recommend setting up automatic deposit and investing programs so that your earnings can be invested as they arrive in each account.

Next steps:

1. Write down your expected savings for the calendar year and draft a savings plan using the savings waterfall as a guide.
2. Review your plan with your family and your financial advisor.
3. Set up direct deposits and recurring account transfers so that your savings are automatically deposited and invested as they arrive in each account.
4. Update your plan each year, and after major life events (marriage, a new child, etc.) based on your earnings and spending patterns.

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