



The Savings waterfall is designed to help you direct your hard-earned savings, but it is not a comprehensive assessment of all investment and account types. (UBS)

Cascading down: Put a 'savings waterfall' to work

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Saving and investing in the right accounts can help you to get more out of your family's hard-earned savings.

Each year, we publish a "Savings waterfall" worksheet to help families streamline their savings choices, prioritizing account types based on their potential to create after-tax growth. [Click here](#) to download the 2024 edition.

We recommend that you revisit the Savings waterfall each year, using it to set up direct deposits and payroll deduction elections that will automate your saving and investing implementation while leaving you with enough cash flow to fund your lifestyle. You should also revisit your savings strategy when you receive an unexpected bonus, or need to temporarily adjust your savings plan to account for short-term spending needs.

Our Savings waterfall can help you to turn \$1 of hard-earned savings into \$2 or \$3 of inflation-adjusted spending in 30 years by harnessing tax-advantaged growth, compound interest, and (when available) your company's willingness to match your contributions.

The Savings waterfall is designed to help you direct your hard-earned savings, but it is not a comprehensive assessment of all investment and account types. You should ask your financial advisor to teach you about other strategies to enhance your after-tax growth potential. For example, taxable account strategies that employ tax-loss harvesting, tax-deferred accounts such as annuities and life insurance policies, and real estate investments that may allow you to defer capital gains.

The sooner you start saving, the sooner you will reach financial freedom. Not only will you have more years of compounding growth, but you will be able to devote a greater share of your savings to the most effective parts of the Savings waterfall.

As you grow older and your income rises faster than your spending, you will be able to save more, but you will start to exceed the cap on contributions for the account types that offer the highest level of after-tax growth potential.

To get you started, [download our Saving Waterfall guide](#), and **take these first 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.

For more, including case studies, see [Savings waterfall: Supercharge your savings](#), 20 May, 2024.

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