THE ADULTING VAULT

# Banking & Investing Basics

*Where Your Money Lives, and How to Make It Work Without Becoming a Hobby*

*Everything They Forgot to Tell You*

Investing sounds complicated because a large industry profits from you believing it is. The actual version most people need fits on a page: a few accounts, opened in a specific order, holding a small number of boring funds, funded automatically, and then left alone for thirty years. This covers the banking underneath it too — which accounts you actually need, which fees mean it is time to leave, and why the difference between a good savings account and a bad one is measured in hundreds of dollars a year.

## Please Read This First

This guide is general educational information, not financial, tax, or investment advice. It does not account for your individual circumstances. Nothing here is a recommendation to buy, sell, or hold anything. For decisions with real consequences, consult a qualified professional.

#### CURRENCY OF THIS GUIDE

General educational information, not financial or investment advice. It does not account for your circumstances, and nothing here is a recommendation to buy any specific product. Investing involves risk, including the possible loss of principal, and past performance does not predict future returns. Contribution limits, tax rules and interest rates change — verify current figures at irs.gov before acting. For anything complex, a fee-only fiduciary adviser is worth the cost.

# Part One: Banking

*Where money sits matters more than people think.*

## What you actually need

| Account | For | What to look for |
|---|---|---|
| Everyday checking | Bills, spending, direct deposit | No monthly fee, no minimum balance, free ATM access or fee reimbursement |
| High-yield savings | Emergency fund and irregular costs | A competitive rate, easy transfers, federally insured |
| A second account elsewhere | Backup, and separation | Optional, but useful if your main account is ever frozen or compromised |

**THE SAVINGS ACCOUNT GAP IS REAL MONEY**

Traditional banks frequently pay a small fraction of a percent on savings. Online banks and credit unions routinely pay several percentage points more.

On a $10,000 emergency fund that difference is the price of a decent holiday, every year, for doing nothing but opening a different account.

Rates move, so compare before you open rather than trusting a number in any guide — including this one.

## Fees that mean it is time to leave

- ❑ Monthly maintenance fee
- ❑ Paper statement fee
- ❑ Overdraft fees you cannot opt out of
- ❑ Minimum balance fee
- ❑ Out-of-network ATM fees
- ❑ Fees to speak to a person

## Switching banks, done properly

1. Open the new account first. Do not close anything yet.
2. Move your direct deposit and confirm one full pay cycle lands.
3. Move every automatic payment. Check statements from the last three months so you do not miss one.
4. Leave a small buffer in the old account for a month, in case something you forgot comes out.

5. Close the old account IN WRITING, and get confirmation. Draining it and walking away can leave you with fees months later.

### Credit unions

Member-owned, not-for-profit, and frequently better on fees, savings rates and loan rates than large banks. Membership is usually easy to qualify for through where you live, work, or an association. Worth checking before you assume a big bank is the default.

## Part Two: The Order to Fund Things

*The single most useful page here.*

Almost every question about what to do with spare money is answered by this list. Work down it. Do not skip ahead.

6. A SMALL STARTER EMERGENCY FUND. Enough to absorb one ordinary disaster without borrowing. This comes first because without it the next unexpected bill undoes everything else.
7. YOUR FULL EMPLOYER MATCH. If your employer matches retirement contributions, contribute enough to receive all of it. It is compensation you have already earned.
8. HIGH-INTEREST DEBT. Anything above roughly the high single digits is costing you more than almost anything can reliably earn.
9. A FULLER EMERGENCY FUND. Commonly three to six months of essential expenses, depending on how stable your income is.
10. MAX AN IRA, or an HSA if you are eligible for one.
11. BACK TO THE WORKPLACE PLAN, up to the annual limit.
12. EVERYTHING ELSE. A taxable brokerage account, a house deposit, other goals.

**WHY THE MATCH SITS SO HIGH**

A fifty percent match is an immediate fifty percent return before the money is invested in anything at all. No investment available to you beats that reliably.

Find out your match formula in week one of any job. Ask HR directly: "What is the match, and what do I need to contribute to receive all of it?"

Also ask about VESTING — how long you must stay before the employer money is permanently yours. It changes when leaving is expensive.

## Part Three: The Accounts, Explained

| Account | Tax treatment | Notes |
|---|---|---|
| 401(k) / 403(b) / TSP | Pre-tax going in, taxed on withdrawal | Employer plan. Limited fund menu. Often has a match |
| Roth 401(k) | After-tax going in, untaxed on withdrawal | Same plan, opposite tax treatment. Many employers offer both |
| Traditional IRA | Pre-tax if you qualify, taxed on withdrawal | You open it yourself. Any investment you like |
| Roth IRA | After-tax going in, untaxed on withdrawal | Income limits apply. Contributions can be withdrawn without penalty |
| HSA | Untaxed in, untaxed growth, untaxed out for medical | Requires a qualifying high-deductible health plan. Three tax breaks — no other account offers that |
| Taxable brokerage | No tax break | No limits, no restrictions, no penalty for access. Where money goes once the above are full |

### Traditional or Roth

They are taxed at opposite ends. That is the entire difference.

| | |
|---|---|
| TRADITIONAL — SKIP TAX NOW, PAY IT IN RETIREMENT. BETTER IF YOU EXPECT A LOWER BRACKET LATER | ROTH — PAY TAX NOW, SKIP IT IN RETIREMENT. BETTER IF YOU EXPECT A HIGHER BRACKET LATER |

Early in a career you are typically in the lowest bracket you will ever occupy, which is the standard argument for Roth. It is not a rule and nobody knows future tax rates, which is why many people simply use both.

### The HSA, which is underrated

If you have a qualifying high-deductible health plan, an HSA is the most tax-advantaged account in the system — contributions are pre-tax, growth is untaxed, and withdrawals for medical costs are untaxed. Three separate breaks.

- It rolls over year to year. It is not use-it-or-lose-it — that is an FSA, which is a different thing
- It stays yours when you change jobs

- Most providers let you INVEST the balance rather than leaving it in cash. Many people never turn this on
- After a certain age it can be used for non-medical costs, taxed like a traditional retirement account

**2026 FIGURES — AND WHY THEY ARE IN A BOX**

401(k), 403(b), 457 and TSP employee deferral: $24,500. Catch-up at 50+: $8,000. Ages 60–63: $11,250.

IRA and Roth IRA: $7,500. Catch-up at 50+: $1,100.

HSA: $4,400 self-only, $8,750 family. Catch-up at 55+: $1,000.

THESE CHANGE ALMOST EVERY YEAR. They are boxed rather than woven into the text so you can see at a glance what needs re-checking. Search "IRA contribution limit" plus the year, or check irs.gov, before you set a contribution.

# Part Four: What to Actually Buy

*The boring answer, which is also the one that works.*

### Index funds, in one paragraph

An index fund holds every company in a given index rather than trying to pick winners. Because nobody is being paid to choose, the fees are very low. Because it holds everything, you are not exposed to any single company failing. Over long periods, the majority of professionally managed funds fail to beat a simple index after fees — which is the whole argument, and it is not a controversial one.

### The three-fund idea

| What | Why |
|---|---|
| A total US stock market fund | Broad ownership of the domestic market |
| A total international stock fund | The rest of the world. Reduces concentration in one country |
| A total bond fund | Steadier. Cushions the ride, at the cost of lower long-term returns |

The proportions depend on how long until you need the money and how much movement you can tolerate without selling at the worst moment. Further away and steadier temperament means more stocks; closer or more anxious means more bonds.

### The one-fund version

A target date fund does all of the above automatically. You pick the one nearest your expected retirement year, it holds a diversified mix, and it gradually shifts toward bonds as that year approaches. One fund, one decision, done.

> **IF THIS FEELS TOO SIMPLE TO BE RIGHT**
>
> That reaction is the reason the industry is profitable. Complexity feels like effort and effort feels like it should be rewarded.
>
> It is not. A target date fund funded automatically and ignored for thirty years outperforms most people who trade actively, and it takes about twenty minutes to set up.

### The number that matters most

The expense ratio — the annual percentage the fund charges. Broad index funds commonly charge a small fraction of a percent; actively managed funds frequently charge many times more, for results that on average do not justify it.

A one percent difference sounds trivial and compounds into a very large number across a working life. When comparing two similar funds, the cheaper one wins more often than not.

## Part Five: Time Does the Work

The single most important variable in investing is not which fund you choose. It is how long the money is invested.

> **THE ILLUSTRATION WORTH KNOWING**
>
> Two people invest the same monthly amount at the same return. One starts at 22 and stops after ten years, never adding another dollar. The other starts at 32 and contributes every month until 65.
>
> The first person ends up with MORE — despite contributing for a third as long, and putting in roughly a third as much money.
>
> That is not a trick. It is what compounding does when it is given time. You cannot out-save it later.

### What this means practically

- STARTING IS WORTH MORE THAN OPTIMISING. A mediocre fund funded today beats a perfect one you open next year
- AUTOMATE IT. Money moved on payday is money you never decided about
- INCREASE IT WITH RAISES. Raising your contribution by one percent when you get a raise is nearly painless and enormously effective
- DO NOT WATCH IT. Checking a long-term investment frequently produces anxiety and bad decisions, and nothing else

### When the market falls

It will, repeatedly, and sometimes sharply. The people who do badly are almost never the ones who picked the wrong fund — they are the ones who sold during a fall and bought back after the recovery.

If you are still decades from needing the money, a falling market means you are buying the same funds cheaper. That is genuinely the correct way to think about it, and it is much easier to hold if you decided in advance.

# Part Six: What to Avoid

| Avoid | Why |
|---|---|
| Individual stock picking, with money that matters | You are competing against institutions with research budgets. Fine as entertainment with money you can lose. Not a plan |
| Anything promising guaranteed high returns | Guaranteed and high do not coexist. This is the shape of nearly every investment fraud |
| Whole life insurance sold as an investment | Expensive, opaque, and mostly compensates the seller. Term life is cheap and does the job |
| Trading on leverage or margin | Amplifies losses as much as gains, and forces selling at the worst moment |
| Anything you cannot explain to a friend | If you cannot explain how it makes money, you cannot assess the risk |
| Cashing out a retirement account early | Tax plus penalty plus the lost decades of growth. The single most expensive common mistake |
| Advice from someone paid on commission | Not necessarily dishonest, but they are not neutral. Ask how they are paid |

**THE TWO QUESTIONS TO ASK ABOUT ANY FINANCIAL PRODUCT**

"How does the person selling this get paid?"

"What is the total cost over the full term, in dollars?"

If either answer is unclear, evasive, or takes more than a sentence — walk away.

### If you want professional help

- Look for a FEE-ONLY FIDUCIARY. Fee-only means they are paid by you rather than by commission. Fiduciary means they are legally required to act in your interest
- Ask both things directly and get the answer in writing. Anyone genuine will be comfortable with that
- For a simple situation, you probably do not need one. For inheritance, business ownership, equity compensation or complex tax, you probably do

# Part Seven: Doing It This Week

### DAY ONE, THIRTY MINUTES

- ❑ Check whether your employer offers a match, and what you must contribute to get all of it
- ❑ Set your contribution to at least that level
- ❑ Check what your current savings account pays

### DAY TWO, THIRTY MINUTES

- ❑ Open a high-yield savings account if yours pays almost nothing
- ❑ Set an automatic transfer on payday

### DAY THREE, THIRTY MINUTES

- ❑ Open an IRA at a low-cost provider
- ❑ Choose a target date fund, or a simple index combination
- ❑ Set a monthly automatic contribution, however small
- ❑ Confirm the money is actually INVESTED, not sitting as cash

**THAT LAST CHECK CATCHES A LOT OF PEOPLE**

Money transferred into an IRA or HSA sits as cash until you buy something with it. People discover years later that their contributions never got invested at all.

After your first contribution lands, log in and confirm it bought the fund. Then check again after the second.

### WHERE THINGS STAND

| Account | Where | Monthly amount | What it holds |
|---|---|---|---|
| | | | |
| | | | |
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| | | | |

| Account | Where | Monthly amount | What it holds |
|---|---|---|---|
| | | | |
| | | | |

## Closing

The whole thing reduces to five sentences. Keep your emergency fund somewhere that pays real interest. Take the entire employer match. Clear high-interest debt. Buy a broad, cheap fund automatically every month. Then leave it alone for thirty years.

It is genuinely that boring, and the boringness is the feature. Anything more exciting is usually more expensive.

**THE SIX THAT MATTER MOST**

Take the full employer match. It is compensation you have already earned.

A high-yield savings account is free money compared to a traditional one. Compare before you open.

Buy broad index funds and check the expense ratio. Cheaper wins more often than not.

A target date fund is one decision and it is a good one.

Starting beats optimising. Time does more work than fund selection ever will.

Confirm your contribution actually bought something. Cash sitting in an IRA is not invested.