


Where to Stash Your Cash:

The 10 Best Short-Term Investments For Your Money

Need a place to park your cash and earn some interest? Maybe you're saving up for a kitchen remodel, summer cabin, seed money for a new business, or some other near term investment. Any money to be used in less than 2-3 years needs to stay out of the stock market, period. The stock market is simply too volatile for such a short-term time frame.

We've put together a list of the best short-term investments available. While everyone's needs and circumstances are unique, here are 10 high-quality options.




1. Online Savings Accounts

If you don't like taking big risks, a high yield savings account may be a good fit. While interest rates aren't soaring, you can guarantee your investment and generate a small return. Our favorite is [Ally Bank](#), which usually has the highest rates around and includes FDIC insurance (up to \$250,000 of your money is insured by the government--it's as safe as it gets).




2. Certificates of Deposit

Like an online savings account, CDs don't pay much but they are guaranteed investments and FDIC insured. You can investment in one for a short time period (as little as one month) or for 10+ years.




3. Pay Off Debt

Have credit cards or loans with high interest rates? If you have extra cash, paying them off is a great return on your investment. It's simple. If you have a credit card with an 18% interest rate, you will get an immediate and guaranteed 18% return. There is no investment on the planet that will give you an 18% guaranteed return. [Pay yourself first.](#)



4. Municipal Bonds

Although some lower quality "muni" bonds (as they are often called) can be a little risky, most muni bonds are quite safe. They also come with the added perk of interest that is exempt from federal income tax (great for high income earners), and if you buy a muni bond in your home state, you'll also be exempt from state income tax. Just remember, if you sell before maturity, you may lose money if the bond loses value. For a short-term investment, you may consider buying a bond with a maturity that matches the date you will need the money.




5. Peer-to-Peer Lending

Broaden your investment portfolio and spread out your investments using a lending website. You can purchase notes and receive a monthly income from the interest and loan repayment.




6. Roth IRAs

[With a Roth IRA](#), there are no early withdrawal penalties on your contributions (only the earnings on your money has withdrawal caveats). For example, if 2 years ago you deposited \$2,000 into a Roth IRA, and it grows to \$3,000 today, you can still access that initial \$2,000 completely tax- and penalty-free.



7. Cash Back Rewards

Some credit cards offer significant rewards that require little work on your end. Some credit cards offer cash back while others allow you to accumulate points you can cash in for rewards.




8. Short-Term Bonds

Short-term bond funds, which can be conveniently purchased in mutual funds and ETFs, can be relatively stable and still offer decent returns. Most come with check-writing features, which makes them convenient to use when needed. One of our favorite funds is the Vanguard Short-Term Bond Index (tickers: VBISX as a mutual fund, and BSV as an ETF flavor).



9. Money Market Accounts

Similar to a savings account, money market accounts can pay similar rates to one-year CDs, but you'll have immediate access to your funds if needed and you won't face a penalty for early withdrawal. Once again, [Ally Bank](#) gets our top pick here.



10. Treasury Inflation-Protected Securities

These investments, more commonly referred to as "TIPS" for short, are designed to protect investors from the wealth-destroying effect of inflation. TIPS are essentially treasury bond investments that also adjust their return to compensate for inflation. So you get the protection of a treasury bond that is backed by the full credit and faith of the US Government, with the added benefit of inflation protection. Our favorite pick here is Vanguard Short-Term Inflation-Protected Securities Index (tickers: VTIPX as a mutual fund, and VTIP as an ETF flavor).