



Finances: Understanding the differences

1. Saving

- **What it is:** Putting money aside in a safe place (like a bank account, savings account, or CD).
- **Goal:** Security and easy access.
- **Risk:** Very low, but returns are also low.
- **Stock market connection:** Saving is usually **outside the stock market**, because the focus is safety, not growth.

2. Investing

- **What it is:** Putting money into assets (like stocks, bonds, or ETFs) with the expectation they will grow in value over time.
- **Goal:** Long-term wealth building (retirement, education, financial independence).
- **Risk:** Moderate—values may rise and fall, but patience helps smooth out risk.
- **Stock market connection:** Buying and holding stocks for **years or decades**, benefiting from growth and compounding.

3. Trading

- **What it is:** Actively buying and selling stocks (or other assets) to take advantage of short-term price changes.
- **Goal:** Make profit quickly (days, weeks, or months).
- **Risk:** High prices are unpredictable, and losses can come fast.
- **Stock market connection:** Focused on **short-term gains** through timing and strategies, not long-term growth.