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Regular readers will know that I am a big believer in stocks for the long run. But what about the short run?

In general, I don't trust stocks for the short run – they're too unpredictable in that time frame (less than roughly 5 years). That's where investments like bonds can play a role.

Let's say you are saving up for a down payment on a house you wish to purchase in a few years. I believe the money you save should be placed in an investment you can reasonably expect not to lose value by the time you make the purchase.

Examples include government bonds with a maturity of only a few years. Or maybe a CD. Alternatively, you could place the money in a money market fund.

Personally, I would stay clear of real estate for short term investing. Although real estate investments typically are less volatile than stocks they may lose value over the short run.

Of course, we all remember the real estate debacle of 12 – 14 years ago but we've had other periods in different regions where real estate temporarily lost value.

And even if you may eke out a small gain in real estate over a few years you could quickly see the gains eaten up by realtor commissions and carrying expenses like taxes and insurance.

When it comes to near term investing I think it's important not to think about potential growth as much as potential loss.

I travel to visit family overseas every other year. Every month, I set aside enough to accumulate money for the tickets. That money will be spent in less than 24 months so I prefer stable investments like a money market fund.

Sure, there have been times I wish I'd taken a chance on stocks – it might have landed me enough extra money to upgrade to business class sometimes. But other times it could've forced me to tap into other savings buckets or maybe even postpone the trip altogether.

As my mentor, Dan Schmidt, liked to say: 'if you have enough, keep it that way'.

The amount you need to set aside for near term spending depends entirely on your spending plans. So, before you go ahead and load up on bonds figure out your withdrawal needs.

Remember, your plan should guide your investments, not the other way around.

Good luck.

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