

[My EAP](#) | [Request My Benefit](#) | [View this email in your browser](#)



October 2020 Issue: [Subscribe](#) to the EAP newsletter that helps employees and their families maintain work-life balance.



Safe Money: Weighing Savings Options in a Low-Interest Rate Environment

Keeping money in an account whose interest rate hovers below one percent may not hold much appeal in a world where return on investment is king, and memories of much higher rates linger. But even during the current prolonged period of low interest rates, there are good reasons for consumers to keep cash in a savings account, money market account

or certificate of deposit (CD).

“Having three to six months of cash accessible in a savings account for emergencies is essential,” says Ashley O’Kurley, a certified financial planner based in Miami, “for the liquidity, flexibility and mobility that come with it.”

Think of the money residing in such an account as an investment designed not to generate financial return, so much as one that provides a vital safety net to cover up to six months of living expenses in case of a lost job or other type of unforeseen financial crisis, O’Kurley suggests. “We have to tame our desire to get a big yield on every dollar we have. The first lesson of Financial Planning 101 is to have cash on hand for emergencies.”

While yield is another consideration in choosing between a CD, a money market account, an online or brick-and-mortar savings account, or some other investment to house “safe money,” the decision about where to stash that cash does have important financial ramifications, he explains. “You can earn hundreds of dollars for yourself over time simply by moving money from an FDIC-insured checking account where it’s earning nothing to a high-yield savings account where it can earn 80, 90 even 100 basis points (100 basis points equates to a one percent interest rate), that’s also FDIC-insured.”

Since the priority for an emergency cash reserve is not only quick access to funds but the safety of those funds, he suggests putting it in an account that’s FDIC-insured. That means it’s backed by the Federal Deposit Insurance Corporation, a government entity, for a specified amount — typically \$250,000. So if the institution holding the account fails for any reason, FDIC backing assures the account holder still will be able to recoup their money.

Which type of FDIC-backed savings account is best in the current low-interest-rate environment? Here’s a look at the options:

Online high-yield savings account. Today the savings accounts with the highest rates — sometimes one percent or perhaps a tick above — are often found online. “Online savings accounts end up being the best solution in many cases,” says O’Kurley. Be aware that these accounts come with moving parts. Some carry attractive initial rates that quickly revert to less attractive lower rates. Others couple a relatively high interest rate with a higher minimum balance. Given these conditions, it pays to spend some time comparison-shopping. www.bankrate.com is a good place to start.

Savings account from a brick-and-mortar bank. People who prefer to do their banking person-to-person, may prefer to open a savings account at a local bank. They’ll likely earn a lower interest rate as a result.

Certificate of deposit. Gone are the days when interest rates for short-term three-month

or six-month CDs consistently and substantially exceeded those of traditional savings accounts. These days, securing a higher interest rate with a CD often means committing to keeping money in the account longer-term — for one, three, or even five years. CDs limit flexibility, as the extra return they provide can be quickly erased by penalties for early withdrawal. The trade-off — sacrificing accessibility to that cash simply to earn a little extra money in interest — often isn't worth it, O'Kurley says. "CDs are what they have always been: FDIC-insured accounts you get from a brick-and-mortar bank. But you'll give up liquidity to get one." Parking money in a CD for several years also comes with interest rate risk. Should interest rates rise, a lower rate would still apply to the money inside the CD, precluding the CD owner from earning a higher rate on that money. People who are willing to live with that risk while sacrificing a measure of liquidity with a CD can comparison-shop at www.bankrate.com.

Checking account. While most checking accounts are FDIC-insured and some pay interest, not only do their interest rates rarely match those of savings accounts (particularly online savings accounts), they also may come with a range of restrictions and requirements, including minimum initial deposits, transactions fees, and other costs that can add up quickly. For those reasons, checking accounts typically are better suited to house money you intend to spend, not save.

Money market account. As with CDs, money market accounts no longer hold much of an interest rate edge over savings accounts, which is why O'Kurley says he rarely recommends them to clients. While they could regain that edge when interest rates bounce higher, there's no telling when that may happen. Still, because most money market accounts are FDIC-insured, as modest as their interest rates are, they remain viable, if lower-yielding, option for stowing "safe money."

The Financial Planning Association (FPA) © 2020

How helpful was this article?

lowest [1](#) [2](#) [3](#) [4](#) [5](#) [6](#) [7](#) [8](#) [9](#) [10](#) highest

Sorry, voting is closed.

(Make your vote count! Subscribers please vote while viewing in your email inbox.)

If you found this article helpful, **share it** with a colleague or family member!

If you have a suggestion for an article or feedback about the newsletter, please **let us know!**

Employee & Family MEMBER SERVICES



Coronavirus Disease (COVID-19)

We are open and serving our customers, 24/7/365.

TELEHEALTH COUNSELING: Services are available via phone call, chat, private message, and video. Call 800-968-8143 to discuss your counseling options. If you have the Be Better NOW app, use it to help you address your top behavioral health issues.

RESOURCES: Find articles, webinars, tips, and websites with helpful information on our [News Alerts](#) or [COVID-19](#) resources pages.

Anti-racism Resources

Please [visit our resources](#) page for helpful information. Our supportive services are available to all who may be struggling during these troubled times. We are here for you, your employees, and all of your families.

First Sun EAP Services are free, confidential and included in your Employee Assistance Program (EAP). Get an [in-depth look](#).

Access your benefit at 800-968-8143 or [online](#).

[Counseling](#) | [Financial Counseling](#) | [Elder and Child Care Resources](#) | [College and School Resources](#) | [Parenting and Adoption Resources](#) | [Home and Lifestyle Resources](#) | [Health and Well-being Resources](#) | [Work and Career Development](#) | [Pet Care Assistance](#) | [Legal Services](#)



FEATURED SERVICE

Financial Planning

[Download](#) the poster.

Please call 800-968-8143 to speak with an intake specialist.

Passport to Success

Using your EAP can help put your dreams within reach!
Learn how easy it is for you and your immediate family



members to get started.



Saving for the Future

Do you have a healthy level of savings set aside for emergencies, purchases, college, and retirement? Learn Emotionally Charged Saving techniques to motivate you to set and keep your savings goals. We'll cover Savings, Your Financial Shock Absorbers, How Spending and Saving are Actually Two Sides of the Same Coin, The Reasons to Save, Why Willpower is Overrated, Positive + Negative Emotion = Massive Motivation, and The Power of "Mindless Saving".

[Log in](#) to watch the webinar and view answers to reader's questions or submit your own.



Share your story!

We love to hear that people's lives improved after using our services! Inspire someone to use their EAP benefit by [sharing your experience](#).



Copyright © 2020 First Sun EAP, All rights reserved.

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).