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## Savings Are Great for Short-Term Goals Too

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Thinking about going on a vacation, paying for a wedding, buying gifts for birthdays and holidays, or perhaps you have another short-term money goal? We often think of savings for long-term purposes like retirement or buying a house, but they are great for short-term objectives too. Money in an account that is low-risk (less likely to lose money), allows for easy access, and provides opportunity for growth is a great alternative to a piggy bank. Let's look at some options to help you better meet your goals and keep your money safe.

A **traditional bank savings account** is a great place to put money aside for special occasions, as they allow you to withdraw funds easily and earn some interest. These accounts do not come with checks and usually limit the number of withdrawals you can make, which helps you avoid the temptation to spend your savings before you're ready. You can even set up automatic transfers from your checking account to keep your special savings separate. This separation really helps avoid spending your money frivolously.

Some banks offer **"holiday club" accounts**. These are similar to traditional savings accounts with a focus on meeting a specific savings amount in a certain timeframe. Holiday club accounts automatically withdraw funds from your checking account each month. The total amount saved is transferred back to your checking account when you have met your goal, so that the funds are available for you to spend as planned. These accounts are a convenient way to help you save regularly, but they may have lower interest rates compared to other savings accounts because they are very short-term. There is also typically a penalty fee if you make an early withdrawal, so be sure to read all about the plan before you start.

**Money Market Deposit Accounts (MMDAs)** are an attractive option for saving. They offer higher interest rates than traditional checking accounts and more options for accessing your money than traditional savings accounts. You can withdraw money more freely (with a debit card or checks) than from holiday club accounts or CDs, but there are some restrictions on the number of withdrawals you can make on a monthly basis. MMDAs generally require a higher initial deposit and minimum balance than other savings accounts. It's important to note that these deposit accounts are different from money market mutual funds. Money market mutual funds are securities that incur investment expenses, are subject to more risk, and are not insured by the FDIC.

**Certificates of Deposit (CDs)** are savings certificates where the money you put into them are invested by a bank for a set period of time – you can typically choose between one month and five years – and the bank gives you the money back with interest. The longer the term the more interest you earn. CDs have higher interest rates than traditional savings accounts, but you cannot withdraw the funds until the end of the specified term. If you need to withdraw the money before that time, you will have to pay a penalty fee. If your institution offers CDs with various maturities of less than one year, you may also consider timing the maturity dates of CDs purchased throughout the year to coincide with the date of an anticipated expense.

Before putting your money into one of these accounts, be sure to compare current interest rates offered, as rates vary by bank and change constantly. The Truth in Savings Act requires financial institutions to provide a common method of disclosing rates of interest earned, known as the Annual Percentage Yield (APY), to allow consumers to effectively compare

accounts between banks. You can compare APYs of different products to determine which one offers the best outcome for you (but note that the APY does not compare early withdrawal penalties where those penalties apply). Also make sure that you understand all restrictions associated with the account. For more information, go to <https://www.fdic.gov/consumers/assistance/protection/depaccounts/savings/savings.html>.

In addition to saving money for short-term goals, setting money aside on a regular basis into any type of account and watching the savings accumulate can give you a real sense of financial empowerment. No matter what amount or account type, the earlier you start saving the better.

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