



INSTITUTION FOR SAVINGS

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Savings Account vs. Money Market Account vs. Certificate of Deposit: Which Type of Account is Right for YOU?

When it comes to saving money, there are several types of accounts that will allow you to earn some extra cash over time. Depending on the amount of your savings and your financial needs, you might consider opening either a savings account, a money market account, a certificate of deposit, or a combination of these options. It is important to understand the different advantages and disadvantages of these accounts, so read on to learn more about your options and determine which account is best for you.

Savings Accounts

Savings accounts provide a simple, reliable way to save some extra cash over time. Opening a savings account allows you to earn interest on your money. Although basic savings accounts typically offer lower interest rates than a Certificate of Deposit (CD) or money market account, they also have the least restrictions and your money is easily accessible in a time of need. There are also options on the market for high-yield savings accounts which pay a higher interest rate of exchange for a high minimum balance requirement.

Money Market Accounts

Compared to savings accounts, money market accounts generally offer higher interest rates in exchange for some access restrictions to your funds. Money market accounts include some check writing and debit card privileges, but they tend to be less flexible than regular checking accounts.

Certificates of Deposit (CDs)

Certificates of deposit, also known as CDs, typically offer higher interest rates than Savings Accounts or Money Market Accounts. In exchange for this higher fixed interest rate, the funds that you place in a certificate of deposit cannot be accessed (without paying a significant penalty) for a set period of time, with terms generally ranging from three months to five years. There are some “no penalty” options on the market today for those who might anticipate the need to access the funds before the term is up.

See the next page for a comparison of the pros and cons of each account type.

Account Type	Pros	Cons
Basic Savings	<ul style="list-style-type: none"> ▪ Fully insured by FDIC and DIF ▪ Low minimum balance required to open ▪ Little to no fees or additional requirements 	<ul style="list-style-type: none"> ▪ Low interest rates compared to money market accounts and certificates of deposit ▪ Limited to 6 transfers or withdrawals per month (fees for additional transactions)
Money Market	<ul style="list-style-type: none"> ▪ Fully insured by FDIC and DIF ▪ Higher interest rates compared to most basic savings accounts ▪ Limited check writing privileges and debit card access 	<ul style="list-style-type: none"> ▪ Limited to 6 transfers and electronic payments per month; however, individuals can make an unlimited number of transfers in person, by mail, by messenger, or at an ATM, and can also make an unlimited number of deposits ▪ Typically, a higher minimum balance requirement compared to most basic savings accounts
Certificate of Deposit	<ul style="list-style-type: none"> ▪ Full insured by FDIC and DIF ▪ Higher interest rates compared to Savings Accounts and Money Market Accounts 	<ul style="list-style-type: none"> ▪ Funds are inaccessible (without a penalty) until the maturity date ▪ Withdrawal penalty if funds are accessed before the maturity date

Questions? Call us at 978-462-3106 or email us at info@institutionforsavings.com.