



# Savings Tools

*Advanced Level*

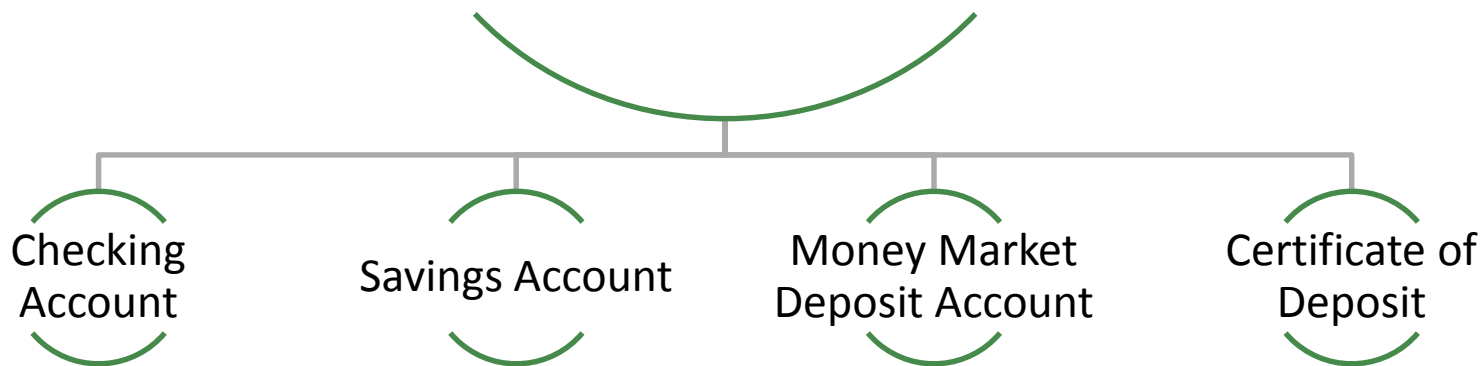


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# Types of Savings Tools

**Savings tools** - secure and liquid accounts offered by depository institutions assisting in the management of a savings fund



# Ideal for Storing Emergency Savings

Insured depository institutions offer accounts which are:

**Secure**

Accounts must stay within coverage limits

**Liquid**

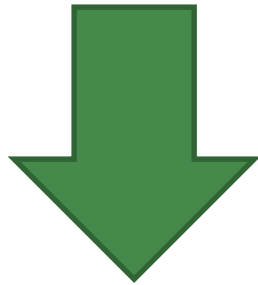
Generally quick and easy to withdraw money

How will a consumer know if their depository institution offers secure accounts?

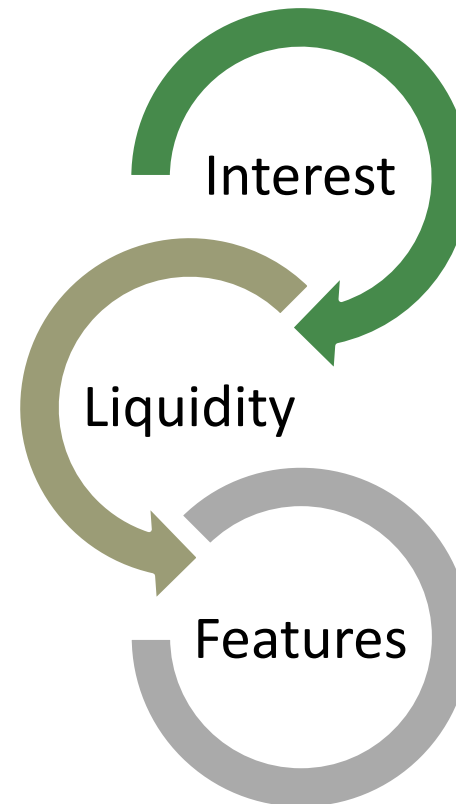


# Savings Tools Characteristics

Each savings tool has different characteristics



Goal: Determine the savings tool most appropriate for reaching a financial goal



# Checking Account

## Definition

- Account that provides an easy method for withdrawing and depositing money

## Interest

- Most do not
- If offered, rates are low

## Liquidity (accessibility)

- Most liquid



What are common ways to access funds in a checking account?

# Checking Account Features

Reduce the need to carry large amounts of cash

Different types of accounts are available (some have fees)

Also known as a share draft account at a credit union

Not recommended as the only account used to save money

# Savings Account

## Definition

- Account designed to hold money not spent on current consumption

## Interest

- Earns interest
- Rates are often low

## Liquidity (accessibility)

- More liquid than other savings tools (except checking accounts)



What are common ways to access funds in a savings account?

# Savings Account Features

Effective for storing  
emergency funds

May require a  
minimum balance or  
have a limited number  
of withdrawals each  
month

Also known as a share  
account at a credit  
union



# Money Market Account

## Definition

- Account that usually has minimum balance requirements and tiered interest rates

## Interest

- Often **tiered interest rates** – the amount of interest earned depends on the account balance

## Liquidity (accessibility)

- Less liquid than checking and savings accounts because of minimum balance requirements and transaction limits



Which would typically earn a higher interest rate? An account with a \$10,000 balance or a \$2,500 balance?

# Money Market Account Features

Usually have to deposit a minimum amount to open the account (typically \$1,000)

Similar to a savings account but earns higher interest and has higher minimum balance/deposit requirements

# Certificate of Deposit (CD)

## Definition

- Account that is used for a fixed period of time and allows restricted access to the funds

## Interest

- Varies (depending on time and amount of money deposited)

## Liquidity (accessibility)

- Least liquid savings tool



Why would a depository institution typically offer higher interest rates for CD's with a longer time period or more money invested?

# Certificate of Deposit Features

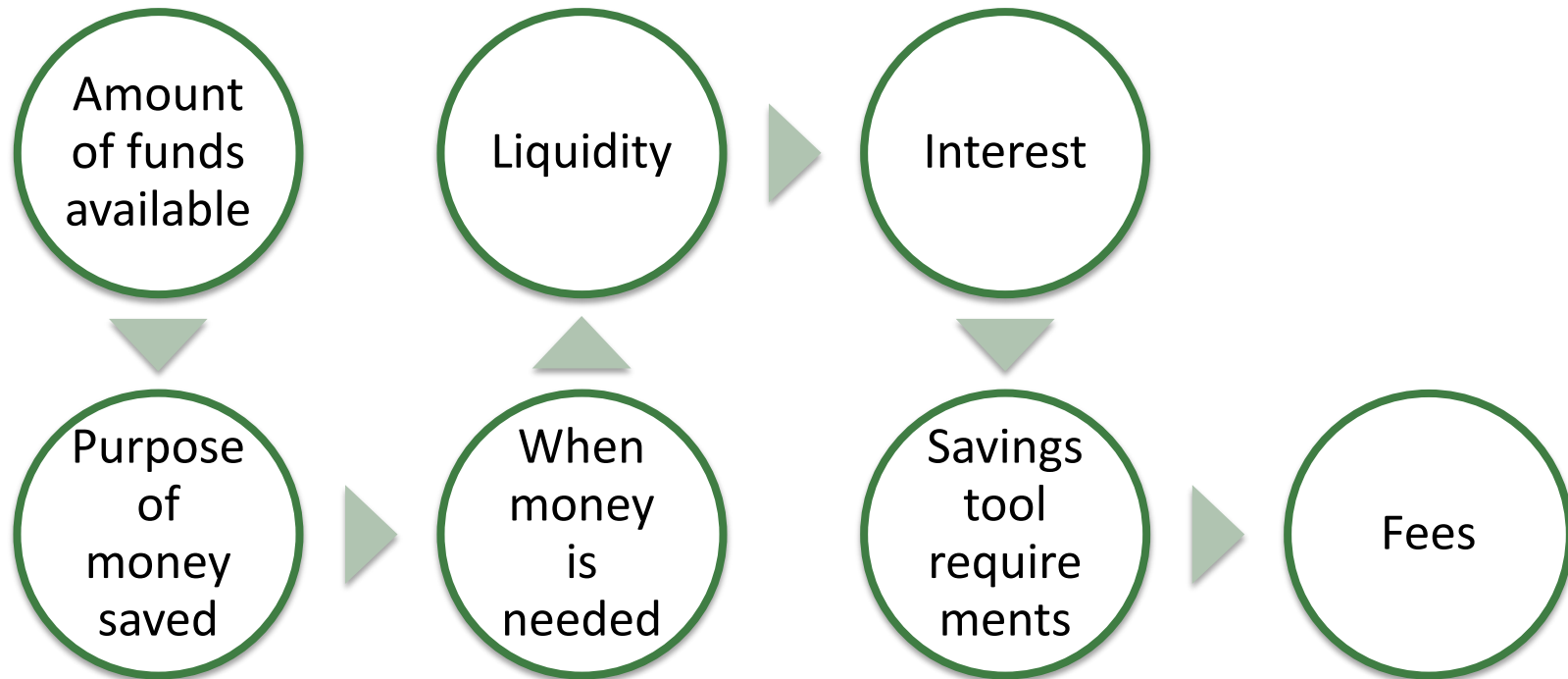
Deposits must be held for a certain length of time (usually 7 days to 10 years)

Deposits can range from \$100 to \$250,000

If funds are held for the designated time period, then there is limited risk and no fees

# Matching Savings Tools to Goals

Consider these factors when determining the most appropriate savings tool for your financial goal



# You Decide: Which Tool is Best?

Avery's goal is to create an emergency savings fund



Savings account



Funds are easily accessible

Javier's goal is to purchase a new car within the year



Money market account



Higher interest rates available

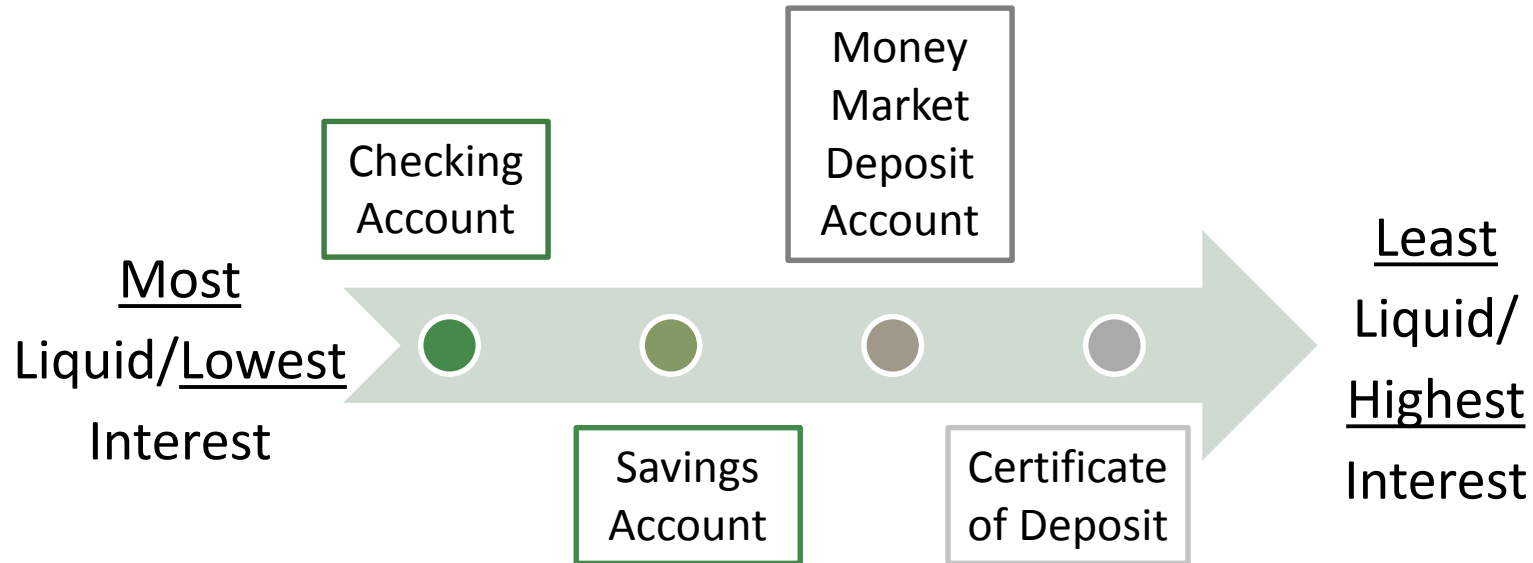
## Analyze the features of a savings tool among depository institutions

*Terms and conditions such as interest rates, fees, and minimum balance requirements may vary.*



# Liquidity

*Higher interest rates are a trade-off for lower liquidity*





*Summary*

**Understand the features of savings tools to select the most appropriate tool for each financial goal**

