

## DO YOU HAVE A HIGH-YIELD SAVINGS ACCOUNT?

High-yield savings accounts have become increasingly popular with the rise of online-banking. As the name implies, high-yield savings accounts offer higher interest rates than traditional savings account.

Below is a visual of the annual return for both a traditional savings account and a high-yield savings account. The high-yield savings account returns 20x more than the traditional account annually.

	ACCOUNT BALANCE	ANNUAL INTEREST	TOTAL RETURN
TRADITIONAL SAVINGS ACCOUNT	\$5,000	0.10%	\$5
HIGH-YIELD SAVINGS ACCOUNT	\$5,000	2.00%	\$100

There are a few reasons why a high-yield savings account may be a strategic component of your financial plan. For starters, high-yield savings accounts can be great emergency saving accounts because the money is easily accessible. Accessibility is a priority for savings like an emergency fund.

Another reason to utilize a high-yield savings account is for a specific acquisition in the near-future. Examples of such savings include purchasing a car or a saving for an upcoming vacation. As illustrated, the higher interest rate can be impactful even in the short-term.

# LIFE HACKS

If you are considering opening a high-yield savings account, here is a checklist to review ahead of time:

## INTEREST RATE

Make sure the interest rate is transparent and guaranteed. As mentioned below, you should also check whether the favorable interest rate is only available for specified account balances.

## REQUIRED INITIAL DEPOSIT & MINIMUM DEPOSIT

It's not uncommon for high-yield savings accounts to have a minimum initial deposit as well as an ongoing minimum account balance.

## WITHDRAWAL LIMITS

Attention! A clear distinction between a traditional savings account and a high-yield savings account is the withdrawal limitations. The IRS has set a maximum of 6 withdrawals per statement. By setting a limit on the number of withdrawals, it prevents high-yield savings account from being used as a checking account.

## DEPOSIT OPTIONS

Since high-yield savings accounts are often offered through online banks, it's worth reviewing their deposit options. For example, some banks set maximums for mobile check deposits and others only allow checks to be mailed-in for deposits.

## FEES

Just like any subscription or financial commitment, it's worth reviewing what fees are involved.

In summation, a high-yield savings account can be a strategic place to store your dollars in the short-term. Because these accounts should be federally insured and the dollars within the account are easily accessible, it makes the accounts operationally comparable to a traditional savings account. The main difference: a more robust return.