

CDs vs. Savings Accounts

What's the Best Route Toward Your Savings Goals?

It's a tough question to answer. Both certificates of deposit and savings accounts can help you grow your money over time, with interest. But one may be better suited than the other when pursuing various short- and long-term financial goals.

If you're looking for a place to keep your savings as you journey through life, weighing CDs and savings accounts can help you decide which to include in your money plans.



Definition

CD Accounts

CD stands for certificate of deposit, a savings certificate that's issued when you deposit money with a bank for a specific amount of time.

Savings Accounts

A savings account is a deposit account that you can use to earn interest, without the time constraints of a CD.

Term

CD Accounts

Varies; some CDs offer terms as short as 30 days, others may offer terms up to five or 10 years.

- Typically, the longer the term, the higher the interest rate that is yielded
- Funds can be withdrawn from the CD upon its maturity
- Or, you can opt to roll funds over into a new CD for an additional term

Savings Accounts

None; you can continue adding money to your savings account as you see fit.

Access to Funds

CD Accounts

Your deposited money, along with the interest you've earned, can be accessed once the CD reaches its maturity date.

Savings Accounts

You're not required to wait until a certain date to access your money.*

Rate of Return

CD Accounts

CDs can offer a guaranteed rate of return if you're earning a fixed interest rate over the entire term.

Savings Accounts

Interest is compounded either daily or monthly and posted to the account either quarterly or monthly. (This is based on the two savings accounts First Horizon offers.)

Penalties

CD Accounts

There is a penalty for withdrawing money from a CD early—typically a percentage of the interest earned.

Savings Accounts

Some banks may:

- charge an excess withdrawal fee
- convert your savings account to a checking account
- close the account out

Ideal For

Hitting long-term savings targets

Wedding

New car

Memorable vacation

Thinking big

If buying a home is in your plans, you'll need cash to cover things like your down payment, closing costs, moving expenses, and any new furniture or other items you may need to get settled in. An add-on CD will enable you to:

- Make an initial deposit to get started
- Add money to the CD as you are able

Making the most of retirement

Creating a CD ladder can give you flexibility if you're concerned about not having access to cash when you need it:

- Opt for multiple CDs with varying maturity dates
- As one rung of the ladder matures, you can withdraw the cash or roll it over into a new CD
- Well-planned ladders will result in your CDs maturing periodically so funds are available if needed, without any type of early withdrawal penalty

Fund Flexibility

Savings accounts are best if you need money to cover current or short-term needs without fear of triggering a maturity penalty.

Emergencies

Keep three to six months' worth of expenses in a liquid savings account that's linked to your checking account.

Home repair

A money market savings account can help you access cash to pay for a home repair or to cover routine maintenance.

- Competitive interest rates on deposits
- Access to your money via check or ATM

Shop Around for the Best Savings Option

Both CDs and savings accounts offer a safe place to keep your money. Whether it makes sense to include one—or both—in your savings plan depends on:

- What you're saving for

When you plan to use the money

How accessible you need your savings to be

The amount of interest you're hoping to earn

This comparison of CDs and savings accounts can give you a starting point for deciding what best meets your needs. As you review different CD and savings account options, remember to consider:

- The rates you can earn on deposits

Fees you may pay for the account

Minimum deposit requirements

How easily you're able to tap into your savings when you need it

Looking at the big picture can help you make the most of the money you're saving.

To learn more about First Horizon's savings and CD options, visit our website.

*Banks are required by federal regulation to reserve a right to require seven days' prior notice of a savings account withdrawal. Such notice is rarely required.