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Saving Money with the Right Banking Account Options

by Jess Hall

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It's important to have one or more banking accounts with a reputable FDIC-backed bank or credit union. There are dozens of types of bank accounts to choose from, but if you're trying to save money, there are a few types of accounts that can be particularly beneficial.

Why Savings Accounts Are Important

It should come as no surprise that savings accounts are generally the best option if you're looking for a long-term investment. They're provided by banks and credit unions and backed by institutions like the FDIC for banks and NCUA for credit unions; that's why savings accounts an extremely safe place to keep your money. When you make a deposit to your savings account, your bank or credit union will start to pay interest and your balance will grow.

Because savings accounts allow you to access your account balance at any time to withdraw funds, they're extremely useful for managing your money and building your savings. Every individual should have a savings account and should make regular deposits.

The rate of growth is dependent on your APY, also known as your Annual Percentage Yield, so you'll need to look at all of your options when setting up a savings account in order to get the best possible deal. Online banks will often offer great rates along with an easy way to access your account information through online web portals, so it's a good idea to look at online banks first.

High Yield Savings Accounts

High yield accounts, which are sometimes called high interest savings accounts, offer even better savings than standard savings accounts. These specialized savings accounts work similarly to standard savings accounts, but there are usually tighter restrictions on the number of withdrawals you can make in a month.

Even with these restrictions, high interest banking accounts are an excellent, flexible option. Many banks make it easy to withdraw funds via debit cards, which are included with new accounts. Other features of high interest bank accounts include free online banking, email alerts and other tools that make it easy to manage your savings.

Other Types of Bank Accounts

It's also possible to save money with a checking account, although the yield on checking accounts is usually fairly low. Many banks also require an open savings account before they offer any other types of accounts, so looking for a standalone checking account probably isn't the best option.

Money market accounts and certificates of deposit are great options for long-term savings, although in either type of account, withdrawals are limited. Most money market accounts have a limit of about 6 withdrawals per month and may have lower yields than savings accounts in some cases.

CDs take a long time to mature, as they usually have terms from 6 months to 5 years. You can't make any withdrawals during this time. A CD can have a relatively high yield, but a savings account is still a better option if you want easy access to your money for emergencies and unexpected expenses.

Getting the Most Out Of an Account

If you're setting up a new account for long-term savings, it pays to compare APYs and do some quick calculations before choosing your new account.

Try to figure how much you'll earn by making regular deposits. A savings account calculator can be helpful, as it will show how different banks' APYs will affect your long-term earnings.

You can compare APYs online to find a high yield account with online banking, easy withdrawals and other essential features. By doing some quick calculations and by understanding how your new savings account will work, you'll be able to make smarter investments to grow your balance quickly and safely.

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Jess Hall is a personal finance writer located out of Jersey City. She likes to share with others how she manages to achieve a financially fit lifestyle. Her latest article discuss why it's so important to know your a banking options in order to make the most of your money. Other articles that she likes to read include a https://www.aurorabankfsb.com/consumer/banking/savings.

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