

MPF3101: START SAVING

"The habit of saving is itself an education." - Joe Moore

What in the world is APY?

Annual percentage yield, or APY, is a standardized way of stating **interest rates** based on a compounding period of one year (i.e. earning interest on interest annually). APY is used to compare interest rates across financial institutions when shopping for different financial products.

TRADITIONAL

The type of account you typically think of (and that you may already have) when you hear "savings account." These accounts are good for the short- or long-term with low minimum deposits but typically offer a low APY.

HIGH-YIELD ACCOUNT

Offers a more competitive APY than traditional accounts with few fees (especially when using an **online bank**) and typically have low or no minimum deposits. Think of them as the better version of the traditional savings account.

CERTIFICATE OF DEPOSIT (CD)

Carries a higher APY but requires putting money aside for a set amount of time that cannot be accessed without incurring a fee.

This account is best for increasing the value of money you won't need for a long time.

MONEY MARKET ACCOUNT

Typically runs on a tiered system that requires higher balances to earn the greatest APY rates. Money can be withdrawn at any time without incurring a fee, up to a certain number of withdrawals.

SPECIALTY SAVINGS ACCOUNT

Tailored to specific savings goals such as down payment on a home or health savings accounts (HSAs), but may have restrictions on when money can be withdrawn and can carry strict tax rules.

INVESTING

Commits money to an endeavor, typically in the **stock market**, with the expectation of additional income or profit in the future when the endeavor exceeds. The potential for high reward is balanced by the risk of heavy losses.

HOW TO CHOOSE

Write down your financial goals for the next 5 or 10 years, then take a look at your current bank accounts. See what money you can set aside now as savings. Once you have your goals and situation figured out, research the APY rates and financial tools that best fit your needs.

Then, you can track your progress with our **worksheet**. And remember, the best time to save money is when you have some!

