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## Can a High-Yield Savings Account Help Protect Your Retirement Plan in the Current Economic Environment?

Many are considering this FDIC-insured option. Here's why...  
by Marcus by Goldman Sachs (Paid Content)

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Wondering how to help protect your investments during the current economic climate? If so, you are not alone. Whether you are planning for retirement or already retired, it's a good time to evaluate your investment mix. One way to earn more is with a high-yield savings account.

Savings accounts can be incredibly important because they offer pretty easy access to cash but traditional brick-and-mortar banks may be offering lackluster rates. (For example, you would earn just \$2 over an entire year from an account with \$20,000 and a 0.01% Annual Percentage Yield.)

High-yield savings accounts, which have become increasingly popular over the last few years (many can be found online), could offer significantly more interest on your savings. They may also have the very same features you'd find at a local branch.

If you find a high-yield savings account at a bank that provides the service, security, and access that meet your priorities, the result could be a relatively deeper pool of funds to draw from as needed. And you may find that online banks—with high-yield accounts but without extensive branch networks or other high overhead—could be a great place to start your search.

### How High-Yield Savings Accounts Work

The basics of a traditional savings account and a high-yield savings account are the same: You can deposit money and earn interest on your balance. Withdrawals from both traditional and high-yield savings accounts must follow the same rules because they are subject to the same banking regulations.

The general difference is the rate.

### High-Yield Savings Accounts and Online Banks

If you're hesitant about online banks, dig into their history, security practices, and FDIC insurance status (the FDIC's BankFind tool can help you check their FDIC status). Consumer reviews and awards by independent third parties may also help you get to know more about the online banks you may be considering.

### How the Rates of These Types of Savings Accounts Differ

Like traditional savings accounts, you can expect the rates tied to high-yield savings accounts to be variable and expressed as APY. This makes it simple to compare how much interest you could expect to earn in a year.

Traditional Savings Account		
Starting Balance	APY (compounds daily)	Interest earned after 1 year
\$20,000	0.01%	\$2.00
\$20,000	0.04%	\$8.00
\$20,000	0.06%	\$12.00

High-yield Savings Account		
Starting Balance	APY	Interest earned after 1 year
\$20,000	1.70%	\$340.00
\$20,000	1.75%	\$350.00
\$20,000	1.86%	\$370.00

Table assumes that all funds remain on deposit with no additional deposits or withdrawals.

### How a Savings Account Fits Into a Financial Portfolio

Savings accounts offer three critical things:

- They offer access to funds (liquidity), providing freedom to access money as needs change.
- They offer safety. You can earn interest and not worry about losses.
- They offer security. When the accounts are offered by FDIC-insured banks or NCUA-insured credit unions, up to certain limits.

### Beyond the Rate: How to Choose a High-Yield Savings Account

An account is more than its rate, so it's important to research to determine if the institution, account, and accessibility meet your needs.

Some questions to consider:

- **Is there a minimum balance?** Some institutions may also offer different APYs based on your balance.
- **Are there fees?** Some fees you may come across include account fees, wire transfer fees and paper-statement fees.
- **How often does interest compound?** Many accounts compound daily, some may compound monthly.
- **How accessible is the account?** Accounts may include apps along with ATM and debit cards.
- **How can you reach customer service?** Banks may offer support phone, chat, and/or email.
- **How is your account protected?** Consider things like if the bank uses browsers that encrypt information and multi-factor authentication among other measures.
- **Is the account FDIC insured?** The FDIC's BankFind tool will help you identify member banks.

Click here to visit [AARP® Digital Banking from Marcus by Goldman Sachs®](#) and take the first simple steps to get your rate bonus on their Online Savings Accounts for 24 months.

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