

Q2 2020


High-yield Online Savings Account from Marcus by Goldman Sachs. [Learn More](#)

AARP
AARP Rewards 1,125 points

## What You Should Know About High-Yield Savings Accounts

FDIC-insured accounts, apps and live customer support may be included

by Marcus by Goldman Sachs® (Paid Content) | Comments 0



Savings accounts can be incredibly important because they offer access to cash, but traditional brick-and-mortar banks may be offering lockstep rates. (For example, you would earn just \$12 over an entire year from an account with \$25,000 and a 0.04% annual percentage yield (APY).) This is where high-yield savings accounts could come in. Found at online and other banks, high-yield savings accounts could offer significantly more interest on your savings as well as a safe place to park your money because they don't have the risk of the markets. Plus, they may also include the very same features you'd find at a local branch.

### How high-yield saving accounts work

The basics of a traditional savings account and a high-yield savings account are the same. You can deposit money, earn interest on your balance and make withdrawals subject to certain restrictions. 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. 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, which makes it simple to compare how much interest you could expect to earn in a year.

To show how this could add up, we pulled together some rates we found for traditional and high-yield savings accounts and calculated what you could earn in a year if you deposited \$25,000.

Starting Balance	Traditional Savings Account	
	APY (compounds daily)	Interest earned after 1 year
\$25,000	0.01%	\$2.50
\$25,000	0.04%	\$8.50
\$25,000	0.08%	\$12.00
Starting Balance	High-yield Savings Account	
	APY	Interest earned after 1 year
	\$25,000	1.02%
\$25,000	1.75%	\$433.00
\$25,000	1.75%	\$300.00

Some accounts 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 access.
- **How can you reach customer service?** Banks may offer support by 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.

**AARP members can receive a rate bonus on their Online Savings Accounts for 24 months through AARP Digital Banking from Marcus by Goldman Sachs.**

High-yield Online Savings Account from Marcus by Goldman Sachs. [Learn More](#)

See Your Member Benefits [View Benefits](#)

Get the Most From Your Membership

- Hundreds of discounts, programs and services
- Subscription to "AARP The Magazine"
- Free membership for your spouse or partner

- Get Card - Edit Info - Update Interests

High-yield Online Savings Account from Marcus by Goldman Sachs. [Learn More](#)