What's the Best Way to Save Money?

Creating a "rainy day fund" or building up savings is a top financial goal for many consumers, usually falling just below paying off debts in consumer polls. If increasing your short-term savings is on your financial to-do list, there are a few different options for you to consider. After all, not all savings accounts are the same. Here are a few to keep in mind:

- **Traditional Savings Accounts:** Traditional bank savings accounts are what most consumers are familiar with. These are deposit accounts that can be tied to your checking account for easy transfer of funds, and typically have the most freedom to allow for withdrawals. These accounts have terms that can vary widely from bank to bank, and many institutions offer several different savings account options to fit different consumer needs. *For example*, the same bank my offer a savings account that has a minimum balance requirement and a different savings account that does not have a balance requirement but has a set limit of five withdrawals per month. Savings accounts also vary by monthly service fees, interest rates, method used to calculate interest and minimum opening deposit.

- **Money Market Deposit Accounts:** Money market accounts are similar to traditional savings accounts, but most require you to maintain a higher balance to avoid a monthly fee. Where savings accounts usually have a fixed interest rate, money market accounts have rates that vary regularly based on money markets (which is where they get their name). This type of savings account can have tiered interest rates, providing more favorable rates based on higher balances. Some money market accounts also allow you to write checks against your funds, but on a more limited basis than a checking account.

- **CDs:** No, not those things we used to listen to music on before iPods. A Certificate of Deposit account is a type of savings account that bears a maturity date, which means once you open it you can't withdraw money from it without penalties until the account matures. The term of a CD generally ranges from a few months to five years, with the higher (better) interest rates being on the longer terms. These accounts also pay at a higher interest rate than other types of deposit accounts, but instead of paying interest to the account periodically over the life of the investment, it pays all of the interest at once when the account matures. An additional benefit: CDs are insured by the FDIC, so even if the bank you keep yours at closes, you won't lose a single cent.

No matter which savings account option you choose, be sure to consult with your local banker first. They'll be able to go over additional account options that may be specific to your bank and might be a better fit for your financial goals.