

Deciding Where to Save

Savings institutions, which have long been available to consumers, include commercial banks, mutual savings banks, savings and loan institutions and credit unions. When shopping for a place to deposit savings, factors such as the following should be considered:

- The interest rate paid – The higher the rate of interest, the faster savings grow.
- The method used to calculate interest – For example, is interest calculated on the average daily balance or the lowest balance during the period?
- How often interest is compounded (interest earned is added to the total and new interest calculated) – The more frequently savings are compounded, the faster they grow.
- Policies and requirements of the institution – Is there a minimum balance which must be maintained? What charges are assessed for account services?
- Liquidity or ease of converting savings into immediate cash – Can money be withdrawn at any time? Is there a penalty for withdrawal under certain conditions?
- Safety of the funds – To protect savings, the account should be insured, preferably by a federal agency, such as FDIC.

