



# ***Managing Money***

## ***Where to Save***

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Now that you know the benefits of saving and how your money can grow, let's look at different savings and investment options. Most people save money in a bank savings account or by purchasing investments. In a savings account, you make money by earning interest. The bank pays you interest for borrowing your money. A bank savings account ensures your money is safe and you can access your money.

Savings in a financial institution are generally insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA). That means if your financial institution goes out of business, and it can't pay your money, the FDIC or NCUA will make sure you get your money.

Below is a review of the types of savings products available at most banks.

### **Statement Savings Account**

A statement savings account is an account that earns interest. If you have a statement savings account, you will usually receive a quarterly statement that lists all of your transactions (withdrawals, deposits, fees and interest earned).

### **Passbook Savings Accounts**

Passbook savings are similar to statement savings accounts. The difference is the record keeping. Instead of receiving a quarterly statement, all transactions are recorded in a passbook. You have to take your passbook to the bank when making transactions. The teller will update your account information when you go to the bank.

### **Club Account**

A club account is a type of savings account you join to save money for a special reason, such as holidays or family vacations. Club accounts usually require you to make regular deposits.

### **Money Market Accounts**

A money market account is one that usually pays a higher rate of interest than a regular savings account. Money market accounts usually require a higher minimum balance to earn interest, but they also pay higher rates for higher balances.

### **Certificates of Deposit (CDs)**

CDs are accounts where you leave your money for a set period of time, such as six months, one, two or five years, called a term. You usually earn a higher rate of interest than in a regular savings account. The longer you promise to keep your money in a CD, the higher the interest rate. Be sure to think about your cash needs before opening a CD because you will pay a penalty if you withdraw your money early.

### **Difference between types of accounts**

- Statement savings and passbook savings accounts are similar. They both earn interest. The difference is in the record keeping.
- Club accounts are for saving for a specific purpose, such as a vacation or a holiday.
- CDs and Money Market accounts generally earn higher interest rates and require higher minimum balances. CDs are held for a fixed

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term. This means you cannot make deposits or withdrawals during the term. Money Market accounts do not have a fixed term. You can make deposits and withdrawals.

Always check your records and statements for accuracy. Banks are not perfect and can make mistakes.

### **Section 529 Plan**

A Section 529 Plan is a prepaid savings program for higher education. Any person can set up a plan for a child pursuing higher education. The money grows tax-deferred and is taxed at the child's rate when withdrawn for educational purposes. The donor may have state income tax breaks. The savings can be applied to any college in any state. Many plans can be started with only \$25 a month. More information about state tuition programs can be found at <http://www.irs.gov>.

*This resource is one in a series on **Managing Money** which include:*

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**Making your Money Work:**

Determining What Is Important to You  
Where Are You Now? (Net Worth Statement)  
Stop Spending Leaks  
Developing a Spending Plan

**Using Credit:**

What Is Credit and How Much Credit Can I Afford?  
Types of Credit: What Are Your Choices?  
Credit Cards  
Credit Reports

**Building Savings:**

Ways to Save  
How Your Money Can Grow  
Where to Save  
Investment Options

**Selecting Financial Institutions:**

Selecting a Financial Institution  
Checking Accounts  
Savings Accounts

**Creating a Record System:**

Keeping Records in Order  
Where to Keep Records

**Determining Readiness:**

Financial Readiness  
Benefits and Challenges

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