****

**1. Traditional Savings Accounts**

Offered by most banks and credit unions, usually have five key features:

1. **Stable value:** this means your money cannot lose value.
2. **FDIC protection:** Deposits in a savings account are FDIC protected. This protection provides up to $250,000 of insurance across all of a depositor's accounts at any one institution. If your savings account is offered by a credit union, it is similarly protected for up to $250,000 by the NCUA.
3. **Immediate access:** Deposits are fully liquid, meaning that you can withdraw your money at any time, without advance notice.
4. **Earns interest:** Besides safety and liquidity, savings accounts typically earn interest. These interest rates can vary widely, so you can earn more interest if you shop around for the highest rate.
5. **Transaction limits:** Although accessible at any time, most savings accounts do not permit more than six transfers per month to another account or to another party.

**2. Money Market Accounts:**

These accounts share similar characteristics with savings accounts, with a few additional features such as check-writing, but they are still limited to six transactions per month.

Interest rates for money market accounts are generally similar to savings account rates. However, while money market accounts can be used in the same way as savings accounts, they are funded differently by the financial institutions offering them.

Sometimes, money market accounts are generally paying higher interest than savings accounts, and sometimes it’s the opposite. Rule of thumb is to include both savings and money market accounts when you are shopping.

**3. Jumbo Savings Accounts:**

These accounts are ones that pay higher interest in exchange for larger balances. Deposits $100,000 and over has been the threshold for something to be considered a jumbo account.

**4. Rewards Savings Accounts:**

Same as ordinary savings accounts, except the bank will give you an extra reward for doing business with them. This reward may take the form of cash or a gift. Qualifications to earn the reward depends on the bank. It may simply involve opening a new account with them, though often you are required to deposit a certain amount of money or set up direct deposits into the account.

These rewards are usually a one-time deal. Heavily compare the value of the reward with how much more interest you might earn in a different account. The reward may not be worthwhile if it means earning less interest in the future.

**5. Joint Savings Accounts**

A savings account owned by two or more parties. An important advantage of setting up a joint savings account is that it increases the FDIC insurance on the account.

The $250,000 FDIC insurance limit is multiplied by the number of owners of a joint account. So, a couple opening up a joint account would be entitled to $500,000 (2 times the $250,000 individual limit) of FDIC insurance.

**6. Traditional IRAs**

Individual Retirement Arrangements, or IRAs, come in two forms: **Traditional and Roth IRAs.**

**Traditional IRA**: allows you to make a tax-deductible contribution of up to $6,000 (or $7,000 if you are aged 50 or older). Investment earnings on that money are tax-free, though you will have to pay ordinary income tax on money you eventually withdraw from the plan.

You are expected to leave money in an IRA until you reach at least age 59 1/2. If you withdraw money from an IRA before then, you will have to pay a 10% tax penalty on top of any ordinary income tax on the amount withdrawn.

**Roth IRA:** have the same contribution limits as traditional IRAs. The difference is that contributions to a Roth IRA are NOT tax-deductible. However, you do not have to pay taxes on money you take out of a Roth IRA once you reach retirement age.

The choice between a traditional or a Roth IRA largely comes down to whether you think your tax bracket will be higher or lower once you reach retirement age. You can choose to pay taxes on IRA contributions now with a Roth IRA or pay taxes on withdrawals in retirement with a traditional IRA.

**7. Health Savings Accounts (HSAs)**

A deposit product designed to help pay for health care expenses. It allows you to make tax-deductible contributions, grow your money in the account tax-free, and pay no tax on withdrawals as long as they are used for qualifying medical expenses.

To be eligible you have to be enrolled in a high-deductible health plan. Money in an HSA can be used to meet year-to-year health care expenses, but it can also be accumulated over time to help you pay for health care in retirement.

©TD&F Investment Group 2020