

Truth in Savings: Deposit Wisely

Not all savings accounts are created equal. Account fees, dividend/interest rates, and services vary from one institution to another. But comparing accounts is possible thanks to Truth in Savings (TIS) legislation, which requires financial institutions to disclose all account terms and conditions. And that includes fees, minimum balance requirements, and annual percentage yield (APY).

APY gives you a good picture of your potential earnings based on dividend or interest rate and frequency of compounding. APY is the amount of money you'd earn on \$100--if the money stays there for a full 365-day year. So if the advertised APY is 3.5%, that means you'd earn \$3.50 annually for every \$100 on deposit.

APY, along with answers to the following questions, can help you do an apples-to-apples rate comparison:

What is the minimum balance required to earn dividends/interest?

Are tiered rates offered? Tiered rates apply to different balance amounts. For example, balances up to \$2,500 may earn 3.75%. Balances more than \$2,500 may earn 4.25%. If you deposit \$5,000, half may draw 4.25% and half may earn 3.75%. Or, in some cases, you may earn the higher rate on the entire balance once you meet the threshold.

When does your money start earning dividends or interest? If an institution pays the day you deposit money into your account, you're earning on your ledger balance. If it waits until a deposited share draft or check clears before it starts paying, you're earning on your collected balance.

How often is the interest compounded? Accounts commonly compound on a quarterly or monthly basis.

As far as fees go, check for these common charges:

Is there a charge if your balance falls below a required minimum?

Is there a fee for closing the savings account soon after it's opened?

Is there a monthly maintenance fee?

The Consumer Federation of America and the Credit Union National Association conducted a 2002 survey that shows credit unions don't charge as many fees as banks, and when they do charge, credit union fees typically are lower than those at banks. So stop in or call us to check out our savings options--with favorable rates and terms.

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