

Savings Account

Savings accounts allow you to keep your money in a safe place while earning a small amount of interest each month. Interest on savings accounts is usually compounded daily and paid monthly. Interest **compounded daily means** that if your account earns one percent interest, then each day 1/365th of that one percent of the amount of money you have in your savings account is added to your total. Here is the calculation:

Daily compounding = $\text{Principal} (1 + \text{interest rate}/365)^{365} = (\text{daily compounded amount})$

When you open a savings account you will receive a small book called a register where you write your beginning balance (the amount you originally deposit) and all of your future deposits and withdrawals. This tool helps you keep track of how much money you have.

Each month, your financial institution will send you a statement of your account either by mail or by email if you prefer. The statement will list all of your transactions, as well as any fees charged to your account and interest your money has earned. You should review each entry in your register and compare it with the statement as they should match. This process is referred to as "reconciling" your account. If the balances do not match, you will need to determine where the error occurred and correct it in your register. If you cannot find the error you may want to contact your financial institution for assistance.

Certificates of Deposit

A certificate of deposit (CD) is similar to a savings account, but it has a higher interest rate and you don't have access to your money for a period of time. When you purchase a CD from a financial institution, you invest a certain amount of money for a specific period of time. Interest will accrue periodically throughout the term of the deposit until it reaches its maturity date (the date in which it will no longer accrue interest). CD's can be purchased through banks, credit unions, or investment firms and are typically offered at fixed rates, although some investment institutions may offer adjustable interest rates.

Money Market Deposit Accounts

A money market account is similar to a generic savings account; however, it requires a higher minimum balance. Money market accounts are usually based on the current market rate of interest which means you will have a higher rate of return than a typical savings account. In most cases, you have similar access to your money as with your basic savings account allowing you to withdraw without penalty. You should check with your individual financial institution for a copy of its account agreement which outlines the terms.