Why You Can Trust CNET Money

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7 Ways to Earn Higher Interest on Your Money

Different types of savings accounts can help protect and grow your money -- and some pay more than others.

arrangement of multiple Series I Savings Bonds
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OUR EXPERTS

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Getting your money to work for you doesn't necessarily require investing in risky investments such as stocks. In fact you can earn interest on your savings without the prospect of losing your hard-earned cash. But your money can earn you even more if you know the right places to put it.

Depositing cash in a high-yield savings account, taking advantage of a bank bonus and opening a certificate of deposit (CD) account are tried and true ways of earning interest -- but there are other savings options to consider.

Here are seven ways you can earn interest on savings while minimizing your risk.

1. Open a high-yield savings account

You don't have to settle for low-interest returns of 0.13% found in traditional savings accounts when you can earn 2% or more in a high-yield savings account (the higher the annual percentage yield, or APY, the more your compounding interest grows). Banks such as Bask Bank, Tab Bank and UFB Direct each offer high-yield savings accounts at more than 2.6%. Major online banks such as SoFi, Discover and Capital One each offer accounts with APYs of 2%. Your local bank or credit unions might offer high-yield savings accounts with higher APYs, so be sure to shop around your area.

2. Open a money market account

A money market account -- or a money market deposit account -- is a hybrid of checking and savings accounts, providing the features and benefits of both in one account. You get a higher interest rate as you would from a high-yield savings account plus checking-writing privileges and a debit card for withdrawals. Ideal for shorter-term financial goals, money market accounts (or MMAs) enable the account owner to earn interest on their balance. Although the interest rate may be higher than on a traditional savings or checking account, the interest rate on a money market account tends to be variable and is subject to fluctuate -- rising or falling based on market conditions. Higher-yielding money market accounts currently have interest rates of between 2% and 3%.

Note that money market *accounts* are different from money market *funds* -- a type of mutual fund that invests in highly liquid financial instruments such as cash and US Treasuries.

3. Open a certificate of deposit

A certificate of deposit, or CD, is a high-yield savings account that locks in your interest for a set amount of time, usually between six months and five years. After your initial deposit, you can't touch that money until the CD term expires. As an incentive for locking your assets during a fixed term, the CD pays a higher interest rate than either a money market account or savings account. Typically, the longer your term, the higher your yield. Top yielding five-year CD rates, for example, offer APYs between 3% and 4%.

4. Build a CD ladder

A CD ladder is when you open multiple CDs with different term lengths so you can access some of your money sooner while still earning the highest APY available for longer-term accounts.

Say, for example, that you have $2,500 to invest in a five-year CD. Rather than put all of your money into that CD, a laddered strategy would divvy up the money into a few different CDs. So, you could put $500 each into a one-year CD yielding 0.65%, a two-year CD yielding 0.80%, a three-year CD with an APY at 0.95%, a four-year CD at 1.05% and a five-year yielding 1.2%. When the terms end on the one-year CD, you can use those funds to invest in a new four-year CD with a higher APY. The following year, your two-year CD will expire. You can use those funds to invest in another four-year CD. You can keep this going as long as you'd like.

5. Find a bank bonus

You don't need to be tied to one savings account from one bank for the rest of your life. If you have different savings goals, open a different account for each of those goals -- and find a financial institution that offers a sign-up bonus for new customers.

Many traditional banks, credit unions and online-only institutions offer bank bonuses to new customers as an incentive to open an account. Usually, there are strict guidelines, such as meeting a minimum deposit amount or maintaining a specified amount in your account for a time period of a few weeks or months. What's more, some banks don't reward you until you've passed a period of one year. You might find more lucrative bonuses on checking accounts, which don't normally pay interest. So do the math to see if the return is worth it compared to a traditional high-yield savings account.

6. Look for a rewards checking account

A rewards checking account provides incentives for opening an account and maintaining certain minimum requirements. Rewards could be a cash bonus, cash back (like a credit card) or a higher APY similar to that of a high-yield savings account. A rewards checking account may come with a few extra hoops compared to that of a high-yield savings or money market account, but it might be worth more than other savings options.

7. Consider investing in I-bonds

I-bonds are savings bonds that earn interest based on a fixed rate and an inflation rate. Right now, Series I savings bonds are earning 9.62% interest. You can buy as much as $10,000 (and as little as $25) in I-bonds each calendar year and keep those bonds for up to 30 years. I-bonds can be cashed out after a year but you'll lose three months' worth of interest if you cash out before five years. This type of account is best for very long-term savers as opposed to the short-term money market account.

Interest rates change twice a year starting in May and November. So if you want to lock in an interest rate of up to 10%, you'll need to buy Series I bonds by Oct. 31.

How to determine which account is right for you

Here are a few factors to consider when finding the right high-yielding savings account:

- **Cash on hand.** A little goes a long way but a lot goes even further. If you have a large lump sum, you might want to deposit it in a high-yield savings account or start a CD ladder. If, however, you have $100, you might consider buying an I-bond.
- **Access to funds.** If you want to withdraw your money at any time, you might want a high-yield savings account or money market account instead of the five-year CD, which imposes penalties if you withdraw it before the end of the term.
- **Your goals and needs.** Your financial needs should determine the type of account you'll open. If, for example, you're saving for the down payment for a house, you'll want to consider a longer-term account that will pay higher interest over a longer time period than, say, a shorter-term money market account that could be used to save for a vacation overseas.

Find a customer-friendly financial institution such as a bank that has easy sign-up and simple mobile apps. Also, research various options and financial institutions, such as local banks and credit unions for possibly higher rates and fewer fees.

The bottom line

Savings-based accounts such as money market and high-yield savings accounts don't have the same rate of return compared to investment accounts such as stocks, but they do come with little to no risk. With a variety of options to choose from, take the time to research the one that works best for your financial needs and goals.

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Read more from Dori

Dori Zinn loves helping people learn and understand money. She's been covering personal finance for a decade and her writing has appeared in Wirecutter, Credit Karma, Huffington Post and more.

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