

**Why You Can Trust CNET Money**

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Money &gt; Banking

Article u

# Money Market Accounts, Savings Accounts and CDs: Which One Is the Best?

CDs, money market and savings accounts can boost your savings potential, but each one is designed for different savings goals.



Savings Account  
Seksan Mongkhonkamsao/Getty Images

Certificates of deposits, money market accounts and savings accounts have one thing in common: With annual percentage yields ranging between 4% and 5%, you can earn a good interest rate to grow your savings.

**OUR EXPERTS**

Written by [Dori Zinn](#),  
[Liliana Hall](#)  
Edited by [Laura Michelle](#)

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These three deposit accounts are also insured up to \$250,000 per depositor, per account, by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

If you're a saver, though, you'll want to know the differences between CDs, MMAs and savings accounts. Depending on the financial institution and the exact type of account, there may be some drawbacks to each, and you may run into hurdles withdrawing or accessing your money when you need it.

Here's an in-depth comparison between the three accounts to help you decide which is best for your financial goals now and down the road.

## **Which is better, a CD, money market account or savings account?**

A certificate of deposit is a savings option that allows you to earn a fixed rate on a lump sum of money for a set term. A CD may offer a higher interest rate than a money market account, but it's far less liquid. If you need to access the money in a CD before the term ends, you'll almost always be hit with an early withdrawal penalty ranging from 90 to 360 days' worth of interest. Once the term ends, you'll either need to withdraw the entire balance or renew the CD for another full term.

You can't spend the money in a CD, whereas in a money market account you can typically access funds with a debit card, check or online transfer from one account to another. A CD could be ideal if you don't need immediate access to the money and you want to lock in a fixed interest rate that won't change during the length of the term.

A money market account combines the interest-bearing benefits of a savings account and the accessibility of a checking account. Money market and savings accounts are similar, and both have variable rates that can go up or down on any given day. Although an MMA typically offers a higher interest rate than a traditional savings account you might find at a brick-and-mortar bank, it also tends to have a higher minimum balance requirement than a savings account. MMAs are a great savings option if you want to earn interest but still have access to your money without paying a penalty.

Depending on the bank, some MMAs limit how frequently you can make debit card purchases, online transfers and check transactions in a single statement period. But many MMAs offer a higher interest rate than the best high-yield savings accounts. However, if you'll be more tempted to spend money in your account with debit card access, a high-yield savings account may be a better fit. A high-yield savings account is a low-risk savings option with higher yields than a standard savings account. An HYSA is best suited for money you want to set aside and

contribute to on a regular basis, such as an emergency fund or sinking fund for quick access. Like MMAs, some banks may restrict the number of withdrawals or transfers you can make in a month.

You might find one savings account that's best suited to you or open a mix of different savings accounts to accommodate different goals.

## What is a money market account?

A money market account combines the interest-earning features of a high-yield savings account with the liquidity or flexibility of a checking account. Like most standard checking accounts, an MMA comes with a debit card and check-writing options.

However, a money market account shouldn't substitute a checking account since there's usually a limit on the number of withdrawals you can make within a statement cycle before incurring an excessive transaction fee. Some banks may limit how many debit card purchases, online transfers and check transactions you can make each month, though there's no longer a federal restriction in place. However, ATM withdrawals and in-person withdrawals at the bank typically don't count toward this restriction. MMAs generally offer higher interest rates than traditional savings accounts, but the trade-off is that MMAs usually require a higher initial deposit or minimum balance.

## The best money market accounts compared

Bank	APY	Monthly fee	Minimum deposit required
Vio Bank	5.15%	\$0	\$100
Sallie Mae	4.75%	\$0	\$0
Ally Bank	4.4%	\$0	\$0
First Internet Bank of Indiana	3.76%	\$5	\$100
Synchrony Bank	2.25%	\$0	\$0
CIT Bank	1.15%	\$0	\$100

*Note: The APYs provided were collected from the issuing organizations' websites and are valid as of August 2, 2023.*

### ✓ Pros

- Access your money penalty-free at most banks via ATM withdrawals and in-person withdrawals at the bank.
- Can make regular deposits to contribute to the account.

### ✗ Cons

- Some banks may limit how many debit card purchases, online transfers and check transactions are permitted per statement cycle.
- Some banks may require a higher minimum balance compared with other types of accounts.

- Some offer a competitive APY if you meet balance or deposit requirements.
- Accounts are insured by the FDIC-insured banks and NCUA-insured credit unions up to \$250,000 per person, per institution.
- Monthly fee if your balance falls below a certain threshold or you don't meet other account requirements.

## What is a savings account?

A savings account lets you deposit and withdraw money while earning compounding interest on the balance. These accounts typically pay a significantly lower amount of interest, though the best high-yield accounts may offer higher rates. The more money you keep in the account, the more interest you can earn

For most savings accounts, you shouldn't plan to spend money from the account regularly since most savings accounts don't come with debit cards, although some offer ATM cards to withdraw and deposit money. You also may be able to manage the account using your debit card if your savings is linked to your checking account.

Though federal laws have changed over the past few years regarding withdrawal limits, some individual banks could still charge an excessive transaction fee if you make over six withdrawals per month.

## The best savings accounts compared

Bank	APY	Minimum deposit	Monthly fee
CIT Bank	Up to 5.05%	\$100	\$0
Bask Bank	5%	\$0	\$0
Dollar Savings Direct	5%	\$1,000	\$0
Bread Savings	4.9%	\$100	\$0
Upgrade Premier	4.81%	\$1,000	\$0
Synchrony Bank	4.5%	\$0	\$0

*Note: The APYs provided were collected from the issuing organizations' websites and are valid as of August 2, 2023.*

### ✓ Pros

- Balances can earn a competitive APY.

### ✗ Cons

- If you need to use the funds, you'll need to transfer it to a checking account or make a withdrawal first.

- Savings accounts at FDIC-insured banks and NCUA-insured credit unions are insured for up to \$250,000 per person, per institution.
- You can typically deposit cash into your savings account via check or cash deposits, wire transfers or through the ACH network.
- The number of transactions can be limited to six withdrawals per month, though some banks have suspended enforcement of this rule.
- Some banks offer very low interest rates on savings account deposits, though the best high-yielding savings accounts currently offer annual percentage yields that may be on par with MMAs.

## What is a CD?

A certificate of deposit is a fixed-interest savings account that restricts access for a set amount of time, or term. Most terms range from three months to five years or more. Often, the longer the time, the higher the interest rate you earn. While other accounts let you add money at any time, a CD requires an initial deposit but generally won't allow you to add to the balance until the term ends.

## The best CDs compared

Bank	6-month	1-year	3-year	5-year	Minimum deposit
Alliant Credit Union	4.75%	5.15%	4.45%	4.35%	\$1,000
Ally Bank	3.5%	4.85%	4.25%	4.1%	\$0
American Express National Bank	N/A	4.75%	1.15%	3%	\$0
Barclays	N/A	5%	4.3%	4.5%	\$0
Bask Bank	5.25%	5.15%	N/A	N/A	\$1,000

*Note: The APYs provided were collected from the issuing organizations' websites and are valid as of August 2, 2023.*

### ✓ Pros

- Compared to other types of savings accounts, CDs may offer higher interest rates.
- Regardless of market fluctuations, you'll lock in a fixed interest rate for the entire CD term.
- CDs are covered for up to \$250,000 at FDIC-insured banks and NCUA-insured credit unions,

### ✗ Cons

- Most CDs require a larger initial deposit than a savings account or money market account.
- If you need to withdraw before the term ends, you will forfeit some of your interest in penalties.
- If you open a CD and rates climb, you'll miss out on the benefits. Because you're locked in for a set

per person, per institution.

amount of time, you're stuck with your fixed interest rate until your term ends.

## Factors to consider when deciding where to invest your money

Before committing to an investment strategy, you'll want to consider your short- and long-term goals, how much risk you're willing to take, how much cash you can set aside, and where your money can grow the most based on the available rates. Here are some factors to consider when determining the best place to park your cash:

- **What interest rate does the account earn?** It's important to research accounts across different financial institutions to find the best rates available.
- **What are your short- and long-term financial goals?** Whether you're setting aside money for an emergency fund, next summer's family vacation or a new home, decide which savings product aligns with your expectations and financial goals.
- **How often do you need to access your money?** Are there limitations on the number of withdrawals and transactions permitted each month? If you need to access your money without any restrictions, you can rule out accounts with less flexibility, such as CDs.
- **How much risk are you willing to take?** Investing involves some degree of risk, but CDs, money market and savings accounts are low-risk investments that don't have the same rate of return as higher-risk investments like stocks and real estate. Still, you can earn a solid rate of return if you're looking to make gradual gains.
- **How often do you want to contribute?** Do you see yourself contributing to your nest egg every time you get paid, or do you prefer setting aside a lump sum of money instead? Most CDs allow you to make only one lump-sum deposit upon opening the account. So it's important to note if you plan on making future contributions, a CD might not be the best option for your investment.

## The bottom line

To identify the best account, you'll want to understand the features of each account type first. This will help you determine which will best fit your needs. Each type is unique and has qualities that are more beneficial in certain circumstances than others.

Ideally, someone with a healthy savings strategy would mix and match accounts to best support a well-defined savings goal. However, when starting out, it's important to consider how often you'll need access to the money you're setting aside and which option will provide the best growth rates. For the best results, determine your savings goals and then find a savings vehicle that will best help you achieve that goal.

# FAQs

Which is better, a money market or a CD? 

Should I choose a money market or savings account? 

When should I choose a CD over a more flexible savings account option? 



Written by

**Dori Zinn** ✕

Contributing Writer

[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.



Written by

**Toni Husbands**

Staff Writer

[Read more from Toni](#)

Toni Husbands is a staff writer with CNET Money who enjoys exploring topics that promote financial wellness. She began writing about personal finance to document her experience paying off \$107,000 of debt, which is detailed in her book, *The Great Debt Dump*. Previously, she contributed as a freelance writer for websites, including CreditCards.com, Centsai and Wisebread. She was also a regular contributor to Business AM TV, and her work has been featured on Yahoo News. Being a part-time real estate investor and amateur gardener also brings her joy.



Written by

**Liliana Hall**

Associate Writer

[Read more from Liliana](#)

Liliana Hall is a writer for CNET Money covering banking, credit cards and mortgages. Previously, she wrote about personal credit for Bankrate and CreditCards.com. She is passionate about providing accessible content to enhance financial literacy. She graduated from the University of Texas at Austin with a bachelor's degree in journalism, and has worked in the newsrooms of KUT and the Austin Chronicle. When not working, she is probably paddle boarding, hopping on a flight or reading for her book club.

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