

Why You Can Trust CNET Money

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Article up

Types of Savings Accounts Compared

They're not one-size-fits-all. We break down the pros and cons of the different types.



Dollar bills encircling a piggy bank on a blue background
Tanja Ivanova/Getty Images

OUR EXPERTS



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Opening a savings account can help you establish and grow a pile of cash securely. But there are many different types of savings accounts, each with its own particular pros and cons. Here's a breakdown of all of the different varieties of savings accounts.

Savings accounts

Savings accounts are relatively easy to set up, with modest deposit requirements and low or no fees. Some of them are interest-bearing, which means that you can earn money by maintaining a balance. Your earning potential varies by account type.

Online savings account

This type of account is offered by online-only banks that have no physical branches. You have to manage and access your account through the bank's website or app. Most online savings accounts pay interest, but interest rates vary. Many online-only banks such as Synchrony and Ally offer competitive rates on savings accounts. You can easily find rates topping more than 3.50% APY.

While you can usually make regular transactions with these accounts, some online savings accounts limit you to six withdrawals per month. If you take your money out more often, you might face a penalty. You may also be required to maintain a minimum balance.

An online savings account is easy to open and accessible nationwide. Many online savings accounts have APYs that move with the trajectory of the Federal Reserve's interest rate hikes. This type of account is best if you're chiefly concerned with opening a basic account to store money and are less concerned about maximizing your earned interest or building a nest egg.

High-yield savings account

This type of account also tends to offer a higher APY than a traditional savings account. These higher interest rates can translate into more interest earned on your contributions. Banks and credit unions that offer the best high-yield savings accounts with annual percentage yields as high as 4%, such as CIT Bank or Alliant, have low minimum-balance requirements and no monthly fees.

These accounts are best for those who are looking to maximize their returns while preserving easy access to funds.

Specialty savings accounts

There's a special class of savings accounts typically reserved for young people. These include:

- **Student savings account:** The primary function of this account is saving, not spending. It typically has low or no fees and is designed to make basic banking features accessible to younger customers.

- **Kids savings account:** Similar to a student account, a kids account is designed for minors under 18. It usually has low or no fees. A parent or guardian is required to open an account.
- **Custodial account.** Set up by adults on behalf of a minor, this account tends to be oriented toward saving investment proceeds. A child may be restricted from accessing the funds until they reach a certain age.

Certificate of deposit

A certificate of deposit, or CD, is a savings account that offers a fixed APY for a set amount of time. Terms generally range from three months to five years -- but can last as long as 10 years in some cases. Terms that are widely available include the one-, three- and five-year CDs. One-year CDs are earning the highest APYs of the three, and you have more liquidity than the other popular options. CFG Bank is now offering a one-year CD at a 5.00% APY. On the other hand, a five-year CD provides an opportunity to lock in a great rate for a longer period. Quaint Oak Bank is currently providing five-year CDs at a 4.50% APY.

This type of account is best if you don't need to access the deposited funds for the length of the term. Withdrawing money from a CD before the term expires will generally result in a penalty fee which requires you to forfeit a portion of the interest earned. Check out CNET's list of the best CD rates.

Money market account

A money market account combines aspects of savings and checking accounts. An MMA typically offers a higher interest rate than a checking or traditional savings account, but it also tends to require a higher minimum balance and initial deposit. Most accounts will limit you to six or fewer withdrawals per month.

Not all money market accounts require a substantial initial deposit. Vio Bank offers a competitive 4.30% APY for its Cornerstone Money Market Savings account, but only requires a \$100 deposit to open. Learn more about MMAs with CNET's list of best money market accounts.

Automatic savings

Many banks and some third parties offer auto-savings accounts. When you spend money with a debit card, the transaction is rounded up to the nearest dollar, and that rounded-up amount is deposited into a special account. Digit and Acorns are two popular apps that have been helping people save for many years. You may be able to deposit these savings directly into your existing savings account or transfer them over.

This is a good option for people who want to set up a regular mechanism to increase their savings.

Cash management account

Similar to a money market account, a cash management account includes features of checking and savings accounts and is usually offered by a brokerage firm or robo-advisor. Wealthfront is a cash management tool that currently pays a 4.05% APY. These accounts often divide a large deposit among multiple partner bank accounts. If you deposit \$500,000 into a cash management account, for example, it might be broken up into \$100,000 chunks spread across five different bank accounts. These accounts pay yields similar to what you'll get from a high-yield savings account, though sometimes they're higher. These accounts also provide access to your money whenever you need it via a debit card.

Cash management accounts are typically reserved for high-net-worth individuals or those who can make a large lump sum to open an account.



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