

News Column for Use Week of May 13, 2024
Monica Thayer Family Resource Management Extension Agent
River Valley Extension District
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High Yield Savings Account

A high-yield savings account (HYSA) is a type of savings account that pays a higher interest rate than traditional savings accounts. Annual percentage yields (APYs) may be as high as 4-5 compared to traditional savings accounts typically being less than 1% APY. HYSAs have gained popularity in the recent years so are they a good choice for you?

Depending on what you are saving for, HYSAs can be beneficial. Many times, they are free accounts and don't have any balance requirements so HYSAs can be a great option for any funds that you need quick access to, such as emergency funds or savings for short-term goals. Unfortunately, many local financial institutions may not offer HYSAs, but commonly offer Certificates of Deposits (CDs).

CDs typically have higher interest rates like, or even higher than, HYSAs, but require a certain length of deposit, such as 7 months, 12 months, etc. In addition, CDs often have fees involved if you need to withdraw funds before the maturity date. Because they aren't subject to fixed terms, HYSAs offer higher liquidity than CDs. This means that typically, HYSAs don't have early withdrawal penalties and you can access your funds at any time.

Since HYSAs are not typically linked to any specific terms, the APY can fluctuate as the market changes. On the contrary, if you purchase a CD at 5.1% APY for 12 months, as long as you meet the maturity date, you will receive the 5.1% APY. HYSAs APY can change daily to reflect the current market.

Please note, the interest from HYSAs is taxable so if you earn more than \$10, your financial institute will send you a 1099-INT. If you want to build wealth for the future, investing may have more potential to give you better returns and tax advantage options than a HYSA in the long run.

If you have any questions regarding High Yield Savings Account or other financial management topics, please contact Monica Thayer, Family Resource Management Extension Agent, at 785-527-5084 or mthayer@ksu.edu.

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