YOUR CD IS MATURING SOON. WHAT'S NEXT

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If you have a certificate of deposit (CD) that is maturing soon, it's time to make a decision.

Your CD has been collecting interest for months or years. Should you roll it over to another CD, deposit it into another account, cash it out and spend it—or invest it? Before you decide what to do, it helps to understand all of your options.

First and foremost, it's important to know that your bank or credit union will likely rollover your CD *automatically* at the end of the term. It's possible their new interest rate could be less competitive than what you are earning on the current CD or those available from other institutions.

You may have elected to cash out the CD and earned interest when you set it up, but it's definitely a good idea to make sure before the CD has matured. The bank or credit union is required to notify you in advance of the CD maturing and you may have a grace period—generally one to two weeks— to act on your decision, but it helps to have a plan first.

WEIGHING YOUR OPTIONS

Let your bank renew your CD. This is likely the easiest option—but not necessarily the best, depending on the rates and terms. If you do decide to renew and the rates are good, you may want to take advantage of the grace period and add more funds to your CD.

Withdraw your CD funds and get a different CD. It's worth shopping around, especially in an era of higher rates like we are experiencing now. A variety of websites, like NerdWallet, Bankrate, Forbes, Investopedia, US News, and SmartAsset, should allow you to review rates and hold periods to consider. We also have seen an increased interest in brokered CDs that we can offer clients (more on this below).

Withdraw and spend your CD funds. Maybe you'd like to buy a new car or take a well-earned vacation in the next month or two. If that's the case, you might want to move your CD funds into a checking or savings account during the grace period so it will be more accessible.

Move your funds to a traditional investment account. If you're willing to accept more risk for potentially higher returns, this may be an intriguing option.

BANK CDS VS. BROKERED CDS

CDs are extremely low-risk products and are insured by the FDIC (if they are held with an FDIC-insured institution). There is generally no market risk with a CD, and their interest rates vary based on market conditions, but are fixed for the term of the CD. CD terms usually range from three months to five years, and can be a great choice for someone who wants to lock-in an investment for a set amount of time, with set returns.

There is a downside, though, if you need to access your CD funds before maturity. Early withdrawal penalties for CDs vary by institution, and are typically calculated as a set period of interest earned, such as 90 days or six months.

What you may not be aware of is that we as financial advisors can explore CD rates at multiple FDIC-insured institutions for you and purchase them in your investment account.

The major difference between what we refer to as brokered CDs and bank CDs is that the way in which liquidity is gained prior to maturity is by selling the CD on the open market. As a result of this and the variability of interest rates, it is possible to lose principal when selling. If you have plenty of liquidity elsewhere though, brokered CDs can potentially provide higher rates than bank CDs.

BEYOND CDS

Of course, when you're investing for the long term, your best option may be talking to us and moving your maturing CD funds into an investment account. A CNBC article from April 2023 pointed out that CDs were paying above 4% in a high-interest environment. So, while CDs may be considered a lower risk investment, they typically reward you with less of a return over a longer period of time. The breadth of investments available with different risk and return characteristics, may be a better fit for longer-term goals like retirement or college.

Ultimately, it's worth reaching out to us to discuss all of the available options for your maturing CD so we can help you find the best fit for those funds.

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