Good news: The average savings account interest rate is (finally) on the rise

BY **CASEY BOND**

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Some of the best rates can be found on high-yield savings accounts, which currently offer arou

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When you have the diligence to save money, it's nice to be rewa
interest rate. Unfortunately, savers have been getting paid next
a decade.

Lately, however, the average savings account interest rate has b
a lot. Here's a closer look at today's average savings account in
banks change their rates.

Average savings account interest rate

So far for 2023, the average savings account rate across all fina
0.36%. However, rates have consistently been ticking upward t
month of April, savings account rates average 0.39%.

That means if you put $10,000 into a savings account, you'd ha
after one year.

While this might not seem like much, it's important to note tha
are paying much more now than they were in years past. For ex
savings account rate this time last year was just 0.06%.

Certain banks are offering well above the national average as w
rates can be found on high-yield savings accounts, which curre
4.5%–5%.

How do banks set their savings accou

Banks set deposit rates—including savings accounts—based on market rates and competitor benchmarking, according to Ben S president and treasurer at Texas Security Bank. For example, h rate that impacts the rates banks pay on deposits is the Federal Federal Funds Rate is the interest rate at which depository inst banks and credit unions, lend reserve balances to each other o basis," Swinney says. He adds that this rate is determined by th Market Committee (FOMC), a branch of the U.S. Federal Reser eight times per year.

"Setting deposit account rates is a combination of art and scien II, CEO and founder of LevelField Financial Services. He expla increasing interest rate environment, a bank generally won't in account rates in proportion with the increase in the Fed's rate. bank knows that in general, deposits are 'sticky' and only a ma customers will switch banks purely for deposit rates," Grant sa performs a calculation to estimate the increase in deposit rate t bank the least for an acceptable amount of deposit outflow."

In a decreasing interest rate environment, the rates tend to co quicker, Grant notes.

Individual banks may also choose to raise or lower their saving based on the amount of deposits it needs to fund its loan portfo need more deposits, they may increase interest rates to attract bank that is growing and making more loans will tend to increa that they have the funds to lend, and banks reducing the balan lower rates," Grant says.

Banks also consider the spread between the interest they pay o interest they earn on loans when setting savings account rates. profitability, they have to strike a balance between offering cor attract deposits and keeping their lending rates high enough to at times, banks may adjust their savings account rates to impro

Average savings account interest rate

Over the past decade or so, savings account rates have remaine Following the 2007–2008 financial crisis and Great Recession, federal funds rate to 0% in order to make borrowing more attra economic activity.

Rates were at their lowest between 2013 and 2017, when the av account rate sat at 0.6%. Rates began ticking upward in 2018 a continued to improve, only to be throttled once again by the CO and sharp (but short) recession that occurred as a result. By 20 savings account rate dropped to 0.5%.

Things changed in March 2022, when the Fed began raising rat skyrocketing inflation—a side effect of . Over the past 15 month rates 10 times, and may do so again. As a result, savings accou Today, the average savings account rate is 0.39%.

How to maximize the interest on you account

- **Opt for a high-yield savings account.** Not all savings Despite the relatively low national average for interest rat

accounts pay much higher yields. With a high-yield saving
earn

- **Consider a money market account.** The accounts wor savings combo. They pay higher rates than the typical savi especially for higher balances. Plus, they often come with check-writing capabilities. However, you may need to limi and/or maintain a minimum balance in order to avoid fees
- **Look out for bank bonuses.** In addition to competitive banks also entice new customers by offering bonuses to th an account. So if you're in the market for a new savings ac and find out if any banks are currently offering bonuses. K may need to have the account open for a certain period of eligible to receive the bonus.
- **Be sure your money is protected.** Chasing high intere if your money isn't safe in the event of a bank failure. Alwa that are protected by the Federal Deposit Insurance Corpo credit unions backed by the National Credit Union Admini And always keep a maximum of $250,000 on deposit with institution so that your funds are fully protected.

The takeaway

It's important to understand that a savings account is best usec fund and short-term savings goals. Earning higher interest can grow even faster, and opting for high-yield accounts at FDIC- c institutions will ensure that your money is safe.

That said, your savings account should be one component of a financial plan. In addition to other safe harbor investments suc Treasury bills, you'll need to put your money in higher-risk (an

market investments such as stocks, bonds, and mutual funds ir
wealth and meet long-term savings goals such as retirement.