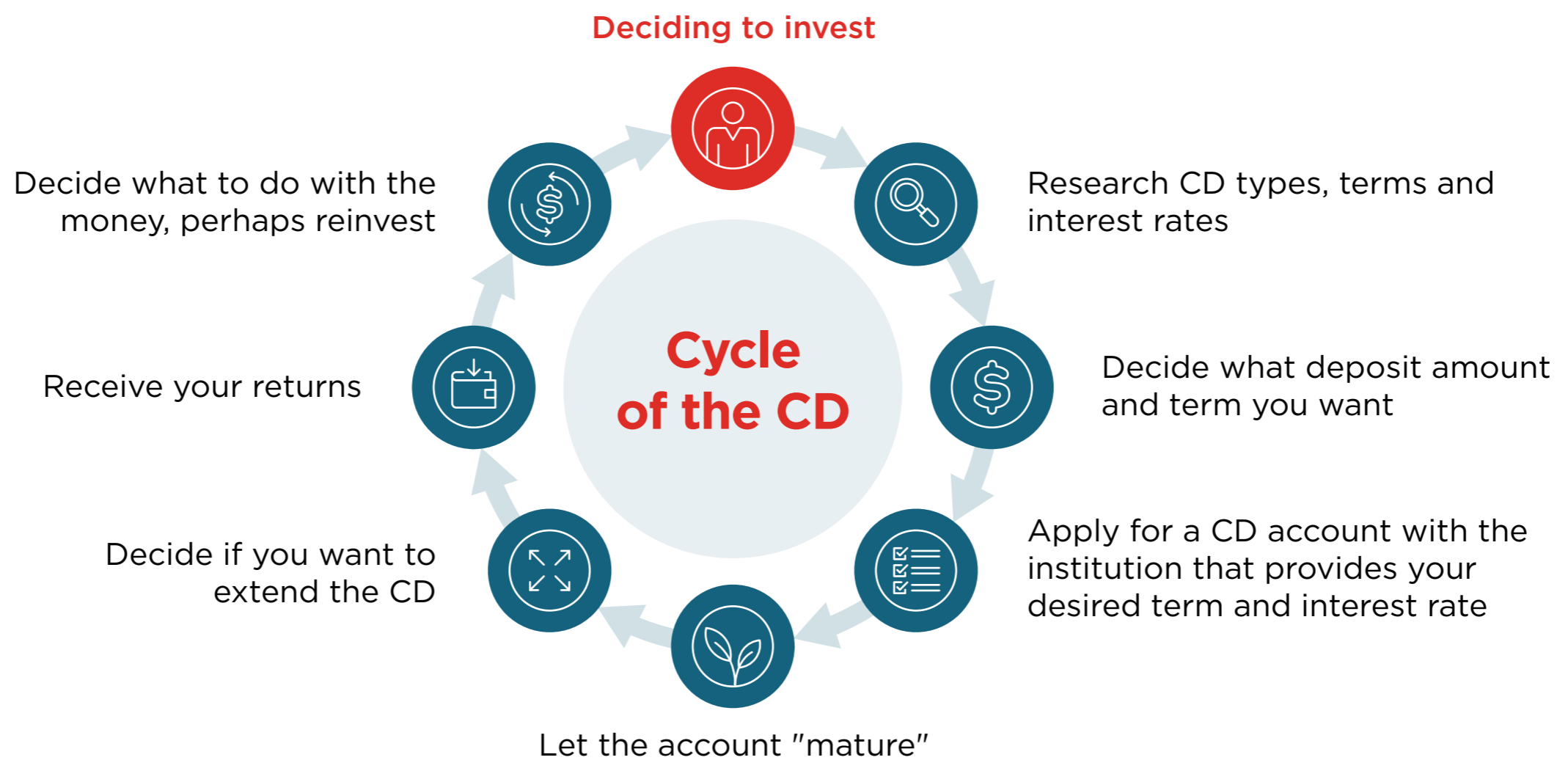


# CERTIFICATE OF DEPOSIT 101: Understanding the Basics

## DEFINITION OF A CERTIFICATE OF DEPOSIT

You invest a fixed sum of money for a certain "period" of time or "term". When the "term" expires, the holder of the CD pays you back plus interest.



**Let's look at an example.** Say you open a CD account with an initial deposit of \$2,500 for 36 months (3 years). Your interest rate of 3.15% is compounded annually. After your 3-year term, you would receive \$2,743.77 (the \$2,500 original deposit plus \$243.77 in interest).

## Benefits of a CD:



Typically higher returns



Guaranteed returns



Flexible terms to fit your financial needs



Insurance coverage from the National Credit Union Administration up to \$250,000



## What is a CD Ladder?

With a ladder, you split your savings into several CDs with different maturity dates. This strategy allows you to access part of your money at all times while maximizing your interest.

For example, say you have \$10,000 you want to put into a CD. You could put that amount into four different CDs instead of one, each with varying terms. Then as each of these mature, they can be reinvested into a new longer term CD. The result are several higher rate return CDs, staggered so that your money is reasonably accessible

