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# With high-yield savings rates over 5%, financial planners say they're a great idea — and that's not going to change

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If you want a safe place to store your money, high-yield savings accounts are a great choice. Hero Images Inc./Getty

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**You shouldn't expect high-yield savings account interest rates to drop anytime soon.**

**Even when rates eventually drop, chasing the highest possible yield might not be a great idea.**

**If your emergency fund is solid, moving some money into CDs could be a good idea for the long-term.**

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With interest rates on some [high-yield savings accounts](#) at 5% and higher, it's no wonder those accounts are all the rage in the world of personal finance right now. But rates on savings accounts are variable — and some savers may be in a for a rude awakening when they drop.

The Federal Reserve began hiking interest rates in early 2022 in an effort to tamp down record-high inflation. While the Fed's interest rate hikes tend to increase the cost of loans like [mortgages](#) and [credit cards](#), they also increase the amount that savers can make off interest on money in savings accounts.

That's especially the case for high-yield savings accounts. While the national average rate on savings accounts is a mere 0.46%, APYs on high-yield savings accounts are much higher — several banks offer rates ranging from 4.5% to 5.5% or higher.

But banks can change interest rates on those high-yield savings accounts as they see fit, meaning they won't stay this high forever. Should savers already be thinking about what to do when rates drop? Here's what financial planners say.

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## Don't expect APYs to drop soon

When the Fed raises interest rates, banks tend to increase APYs — the amount of interest you'll earn by keeping your cash in their savings accounts — to attract customers. But when rates fall, so do APYs. So you'll likely have to say goodbye to the high APYs on high-yield savings accounts eventually.

However, we're not there yet. At its November meeting, the Fed kept its benchmark federal funds target rate steady at between 5.25% to 5.5%, and indicated we shouldn't expect rate cuts anytime soon.

## High-yield savings accounts are a great choice

Despite the fact that APYs will likely fall eventually, high-yield savings accounts can still be a really good place to put your money.

The decision to use one of these accounts should ultimately depend on your goals, but if you want a safe place to store excess cash, then a high-yield savings account is a "great idea," says Andrew Herzog, a certified financial planner at The Watchman Group.

While that may seem obvious now, it's even the case if interest rates drop and the APYs on high-yield savings accounts come down.

"By its nature a high-yield savings account will still provide more interest than an ordinary savings account at a major bank," Herzog says. "So if the goal is to safeguard idle cash that can earn a decent rate of return, all the while remaining at your fingertips with no penalties for withdrawal, then high-yield savings accounts are fabulous."

He adds that while someone could try to time the market before interest rates drop by moving funds from a high-yield savings

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account into investment vehicles like [Treasuries](#) to lock in a higher yield, he wouldn't recommend it.

"Always chasing excess yield can be a dangerous game," Herzog says. "Yield isn't everything."

Your goals and [risk tolerance](#) should be what lead your decisions when it comes to savings and investing. Catherine Valega, a certified financial planner with Green Bee Advisory, reiterates that savers should not pull their money from high-yield savings accounts in anticipation of rates eventually dropping. In fact, now may be the time to take advantage and put funds into a high-yield savings account if you haven't already.

"It's not too late," Valega says. "Interest rates are still really attractive, so get your money working for you."

## Where else are there good savings opportunities?

While a high-yield savings account is where financial planners often recommend keeping money you want to have on hand, like an [emergency fund](#), there are other ways to benefit from high interest rates right now.

Valega says that when we start to expect rates to drop soon, savers may want to lock in rates with a longer time horizon via [CDs](#). A CD is another type of savings account offered by banks and credit unions, but it requires that you keep your money with that institution for a certain amount of time, usually ranging from three months to five years.

While withdrawing your money early means facing penalties, CDs tend to offer higher rates than even high-yield savings accounts. Other options to consider include Treasuries and fixed [annuities](#), Valega says.

"If we see more talk of interest rates slowly declining, I think there will be more interest in longer-term securities or options to lock in those interest rates," Valega says.

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She also said to remember that interest rates on savings accounts tend to move slowly — it's not the same as a market correction in which we could see the stock market plunge in one day.

"It's not like if you don't do something from one day to the next, you're going to completely miss the opportunity," Valega says. "It's not something that anybody needs to panic about."

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