



Wisdom is **EARNED**.
Legacy is **BUILT**.

Financial Education. Real Life. Lasting Legacy.



CERTIFICATES OF DEPOSIT (CDs)

Essential Facts at a Glance

WHAT IS A CD?

- A deposit account for a set term, usually at a set rate.
- **Principal:** your deposit.
- **Term:** how long.
- **Maturity:** term ends.



RATE vs. APY

Rate:

base annual interest percentage.

APY:

annual rate including compounding.

Compare APY.



\$1,000 at 4% APY →
about **\$1,040**
after one year.

Example only; money stays and compounds. Before taxes.

COMPOUNDING

Retained interest can earn interest.



Interest paid out does not compound inside the CD.

KNOW THE TRADE-OFF



Set rate;
less access.



Early withdrawal
usually has a penalty.



A penalty can
reduce principal.



Interest is
generally taxable.

DEPOSIT INSURANCE



- **FDIC:** insured banks.
- **NCUA:** federally insured credit unions.
- **\$250,000** per depositor/member, per insured institution, per ownership category.
- Verify coverage.

Insurance does not protect buying power.

MATURITY & RENEWAL



- ✓ Mark the maturity date.
- ✓ Check any grace period.
- ✓ Auto-renewal may bring a new rate.
- ✓ Compare APY, term, minimum deposit and penalties.

BEFORE YOU OPEN



When will I
need the
money?



What is
the APY?



What is
the penalty?



What happens
at maturity?



Is the deposit
fully insured?

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