

This article is intended to provide general information and should not be considered tax or financial advice. It's always a good idea to consult a tax or financial advisor for specific information on how tax laws apply to your situation and about your individual financial situation.

Earning higher interest – with a checking account

People stash their money in safe havens such as savings accounts, Treasury Bills and Certificates of Deposit for a variety of reasons. It could be fear of losing money in the stock market, the security of knowing their deposits are government-insured or, with bank accounts at least, being able to quickly withdraw funds when needs arise.

In return for that convenience and security, however, interest earned usually doesn't keep pace with inflation.

When the economy was cooking a few years ago, 5 percent interest rates and higher on long-term CDs were not uncommon. But when the recession hit and the inflation rate began dropping, so did interest rates. These days, traditional savings accounts commonly earn just a fraction of 1 percent interest, while many CDs and T-Bills aren't much better.

So how can you earn more interest on insured savings these days? Would you believe a checking account?

Although checking accounts usually earn little or no interest, in the past few years a product called high-yield reward checking has gained in popularity. These accounts often pay much higher interest rates than regular checking or savings accounts – or even long-term CDs in the current market.

In addition to paying higher interest, financial institutions offering these accounts typically will refund each month a certain amount in transaction fees charged by other banks for using their ATMs. For smaller institutions, this helps make up for not having their own extensive ATM network.

However, high-yield checking accounts usually come with restrictions that may include:

- A minimum number (usually 10-15) of monthly debit card purchases.
- Direct deposit (like a paycheck) and/or automatic debit transactions (e.g., monthly gym membership dues).
- Issuing electronic statements only.
- There may be a cap on account balances eligible for the high yield (commonly \$25,000 or less); over that cap, the rest may earn a much lower rate. (There usually is no minimum account balance required, as there often is with regular savings accounts.)
- Accounts may be limited to local customers only, although many are available nationally.

If you don't meet all requirements during a particular month, the interest rate paid for that month could drop substantially, but typically will bounce back once you again meet all conditions.

Keep in mind a few other factors when considering a high-yield checking account:

- Interest rates are variable, so watch for notification of changes.
- Compare any fees side by side with those charged on your current account.
- Vigilantly track your balance to ensure it covers all debit card transactions; otherwise, overdraft charges could erase any interest earnings.
- Make sure the bank is a member of the Federal Deposit Insurance Corporation so that up to \$250,000 per depositor, per institution will be insured. Search “Bank Find” at www.fdic.gov.
- Similar coverage is provided to credit unions by the National Credit Union Administration. Search “Find a Credit Union” under the “Data and Services” tab at www.ncua.gov.

Numerous websites track banks and credit unions offering high-yield accounts including www.highyieldcheckingdeals.com, www.checkingfinder.com and www.bankingmyway.com.

You won't get rich from the interest earned on these accounts, but in this economy every extra dollar helps.

Jason Alderman directs Visa's financial education programs. To sign up for a free monthly personal finance e-Newsletter, go to www.practicalmoneyskills.com/newsletter.