

Types of Savings Accounts



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There are many types of savings accounts, and it's important to understand which ones will fit your specific savings goals. One important factor to consider when choosing the best type of account is "liquidity." Liquidity refers to how easily or quickly you can withdraw your money. Usually, accounts that pay more interest have more restrictions on when you can withdraw your money without paying penalties or fees.

Savings Account - Also known as a deposit account, this is the most basic way to start saving. You can withdraw your money any time you like, but the interest rate on most savings accounts can be low.

Checking Account - While some people save money in their checking account, the purpose of this account is more for convenient access to your money. It provides an easier way to manage your money and make payments, using a check, debit card or online bill pay. Payments are deducted directly from your account.

Money Market Account - This account combines savings and checking features. Like a savings account, it pays interest, although the rate is typically a bit higher. As with a checking account, you can write checks on a money market account, although there may be a limit on number of checks.

CD or Certificate of Deposit - This savings option is best if your funds can remain untouched for a longer period of time. A CD has a specific fixed term (from three months up to five years or longer), in which you can't withdraw money without paying a penalty. The interest rate is fixed.

IRA or Individual Retirement Account - An IRA enables you to save for retirement with certain tax benefits. There are different types of IRAs, each with different advantages.

HSA or Health Savings Account - This special type of savings account is used to pay for qualified healthcare costs. The money you put in your HSA account is tax deductible and funds grow tax-free. You must have a high deductible health plan (HDHP) to have an HSA.

