

TIP OF THE WEEK

Rates Hold for Savers

By JANE J. KIM
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Savers can still earn relatively high interest rates despite the Federal Reserve's recent moves to cut rates.

Although the Fed has cut its target rate by three-quarters of a percentage point since September, rates on money-market funds, savings accounts and certificates of deposit haven't fallen anywhere near that much.

That's because banks remain especially eager to attract consumers' deposits at a time when continued tightness in the credit markets is making it more expensive than usual for banks to raise capital. "Banks are still very dependent on consumer deposits," says Greg McBride, a senior financial analyst at Bankrate.com. "And there's a reluctance to blink first and lower rates prior to their competitors."

Average yields on money-market mutual funds have fallen by only about half the amount they'd be expected to drop and declines in CD rates have been relatively modest.

For consumers, the best deals are being offered on liquid accounts and short-term CDs. M&T Bank, for example, recently launched an online money-market account yielding 5.05%, while J.P. Morgan Chase's Chase and Bank of America are offering certain customers cash bonuses to sign up for new checking accounts.

Savers concerned that short-term rates could head lower may want to consider locking in longer-term rates.