

A Certificate of Deposit that returns 100X my Chase savings interest rate

As we all know, interest rates are at all-time historic lows, and therefore so are the interest rates paid on many savings accounts out there. I remember the days before the financial crisis when you could open an online only savings account through HSBC and collect a 5% interest rate.

At the time I was still in college, but I still took advantage of this opportunity. For at least a year I found an arbitrage opportunity in the market where I could pay all my tuition and school expenses on my credit card and transfer the balance to a new card at a 0% interest rate for 12 months and then leave the cash I had in my online HSBC account and make the 5% spread. I got to be the “Bank.”

Those days are all but a distant memory. Interest rates have been near zero for 6 years now. Today you are lucky to find a savings account that doesn't round off to zero. For example, I currently bank with Chase (by default, since Washington Mutual was absorbed by them), and my savings account pays a ridiculous 0.03%. It might as well be zero!

I know there are other banks out there that are paying 0.50 – 0.90%, but they are not what I would consider big institutions, and I just didn't think it was worth the hassle to move everything over for an improved but still lousy rate.

There is the convenience factor of physical locations of the bank, for those rare occasions that I have to actually step foot in the brick and mortar establishment. Also the abundance of Chase ATM's that allow me to get cash without paying a transaction fee (which could alone eat up the extra interest payments).

However, back in September I refinanced our mortgage into a 5/5 option arm with Navy Federal Credit Union. My wife and I were able to get an account since my brother was already a member after serving in the Navy.

We had used them in the past when we briefly financed my wife's car at 1.74% interest. Their rates are highly competitive and we were thoroughly pleased with our most recent experience during our refinance with them. This brings us to

present day.

While logging into my Navy Federal account last week to set up our new mortgage payment as part of my 7-year payoff plan, I noticed that they were advertising a 12-month CD rate at 3% as long as you set up a direct deposit within 90-days of opening the CD.

In all honesty, a CD was not even on my radar because of how low rates were, I didn't think there would be anything worth locking up some funds for the short term. To put this rate in context, I went to Chase to see what they were offering in their 12-month CD and drum-roll please...0.02%. Yes, even less than the rate they are paying me in my savings account.

Yes this is an introductory rate and has a maximum \$3,000 contribution for 12 months. But both my wife and I have an account with Navy Federal, so we can put \$6,000 in two separate CD's and make 100X more than what our chase savings account is paying.

Needless to say I am currently in the process of transferring the funds over to our accounts to set up the CD's. I may even consider moving all of our banking over to Navy Federal Credit Union. Their savings account is paying 10X (0.25% vs 0.03%) what Chase is paying.

Surprisingly enough, Navy Federal also pays a higher rate on checking balances. They have 3 different tiers, and the best rate is paid on accounts that average a daily balance of \$25,000 or more which pays 0.45%. Based on our account balances we would qualify for the best rate and this is 45X more than what we are getting from chase (at 0.01%). I just talked myself into this as I am writing. I'm going to go and open an account right now...hold on, I will be right back.

Ok, I'm back.

Now it's your turn. Go to Navy Federal Credit Union and see how you can become a member through their friends and family program. You are eligible if you know anyone that serves in the military and is a member. If not Navy Federal then check out other credit unions to see how you might be able to join.

In the comments below, let me know what you think and if you find other credit unions that are paying respectable rates out there.

- Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)