Savings Rates Remain Attractive, But the End of High APYs Is Near, Experts Say

That doesn't mean you should take your money out of a savings account. Here's why.

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Stacks on US $100 bill bundles in ascending order on white shelf, green background

For weeks, we've been closely tracking banks with the best high-yield savings accounts. And each week, the average savings rate for banks we track climbs slightly, pushing the average annual percentage yield from 4.38% to 4.55% in less than two months.

"Top-yielding savings account rates are now the highest they have been since the 2008 financial crisis," said Jill Fopiano, president and CEO at O'Brien Wealth

Partners. “Since the Fed held rates flat at its June meeting, savings rates are likely to pause as well, at or near current levels.”

What will happen to savings rates now that the Federal Reserve paused its rate hikes? Even though the Fed’s decision doesn’t directly influence savings rates, banks typically move alongside its decisions. Will banks keep savings rates stagnant, too? Will high-yield savings rates drop soon?

I interviewed experts to better understand where savings account rates are headed, so you can plan ahead for your savings goals. I’ll walk you through where certificates of deposit and savings rates currently stand and share what experts think is next for savings account APYs.

CD rates remained still this week, but high

As experts predicted, rates for most CD terms across banks remained the same this week. Some banks increased rates for select terms, such as Ally Bank pushing its nine-month CD up to 4.35% APY, while its other CD term rates remained the same. CFG’s one-year CD also inched up to 5.52% APY -- the first bank to surpass the current federal funds rate of 5.25% among banks we track. Meanwhile, Rising Bank pushed its six-month, one- and two-year CDs up to 5.15%, 5.25% and 4.65%, respectively. Beyond these banks, all other rates for banks we track at CNET held steady.

Here’s a look at the average CD rate for each term. Most banks offer well above the averages below, so it’s best to compare rates.

6-month	1-year	3-year	5-year
4.62%	4.98%	4.24%	4.02%

Rates as of June 26, 2023.

Savings rates remained the same with one exception

For weeks, most banks have kept savings rates the same, with very few pushing rates higher weekly. No banks we track at CNET increased savings rates this week. And even more surprising, CIT Bank dropped its near 5% savings APY from 4.95% to 4.60%.

However, the average high-yield savings rate remains high, at 4.61% APY for now. And no matter what happens next with APYs, a savings account is still a good place to park money for a sinking or emergency fund to earn interest on your cash. While you may not earn as much interest if banks follow CIT's lead and start lowering rates, you'll still have the flexibility to deposit and withdraw funds without many hiccups.

Where savings rates will go next

The slight dip in savings account rates was not surprising to Christopher Day, CEO and founder of Days Global Advisors.

"It is highly likely that the high-yield savings account rates will drop," said Day. The Federal Reserve's next decision could make banks believe they don't need to be as competitive. Therefore, most savings rates will remain high but will likely start to decrease, he explained.

But not all experts agree. Some think banks may continue to raise rates on high-yield savings accounts.

"Consumers should expect their savings rate to be steady and not vary widely within an institution over the next few weeks," said Loreen Gilbert, CEO of Wealthwise Financial. However, since each institution sets its own savings rates, it's important to shop around, advised Gilbert. Banks also raise rates to remain competitive and attract new customers and deposits.

While savings rates could still climb a bit higher depending on the Fed's next move or if a bank is trying to compete with other top names, most experts agree that savings rates have reached a peak, and are headed for a downward trajectory. Although, the Fed is not likely to cut rates until 2024, many banks are likely to start reducing savings rates before then, Gilbert added.

Other savings options to consider

Experts agree that savings rates will likely drop once the Fed begins cutting rates, said Fopiano. So if you're worried about an unpredictable return on your money, there are other places experts recommend stashing your savings.

Since the bank failures of Silicon Valley Bank and First Republic, Fopiano has noticed more people moving their money into other savings vehicles such as brokerage money market funds. "This has made many banks pretty deposit-hungry," she said, which explains why some banks are continuing to raise rates to remain competitive. "Online banks with no brick-and-mortar expenses may offer rates that are more attractive than their traditional counterparts for a longer period of time," said Fobiano.

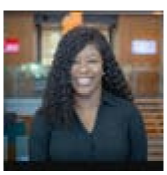
Depending on your time horizon, a long-term savings option, such as a three- or five-year CD can help you lock in a competitive savings rate now that lasts throughout your entire CD term. But despite appealing rates, you should only opt for this savings option if you can "afford the lock-ups that CDs entail," said Fopiano. Treasury bills, like I bonds, are another safe option to diversify your portfolio and offer an attractive yield.

Keep in mind that some savings options are more flexible or liquid than others. CDs require you to lock up your money for a set term -- and if you need to withdraw early, you'll typically pay an early withdrawal penalty. Treasury bonds also require locking up your money for a period of time without paying early withdrawal fees. While you can't lock in a rate with a high-yield savings account, you can still earn a good savings rate right now, and access your funds when you need them.

But remember, there's more to saving than earning interest. For instance, if you earn cash tips from a side hustle and want to deposit the funds, you won't be able to make regular contributions to an I bond or a CD. Or, if you need to save money and make purchases regularly, you may choose a money market account for its similar checking account features, like debit card access.

The bottom line

Savings rates may decrease within the next year, but that doesn't mean a high-yield savings account should no longer be a good place for your savings. Start by thinking about your goal for your money, when you'll need it and whether you may need quick access to these funds. If you already have an emergency fund, it might be the right time to open an additional savings account, like a CD or I bond, to earn a competitive interest rate on a more long-term savings goal.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Dashia is a staff writer for CNET Money who covers all angles of personal finance, including credit cards and banking. From reviews to news coverage, she aims to help readers make more informed decisions about their money. Dashia was previously a staff writer at NextAdvisor, where she covered credit cards, taxes, banking B2B payments. She has also written about safety, home automation, technology and fintech.