This is when the Fed could cut interest rates (and what savers should do before then)

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Interest rates could be coming in 2024, although by how much and when varies based on who you speak to.GETTY IMAGES

The economy has stabilized over the last six months — a relief after the two highly volatile preceding years. Inflation rates are fluctuating between 3 and 4% and the Fed has left interest rates unchanged since the summer.

As for what's next, the most recent report from The Federal Open Market Committee suggests that the peak federal funds rate has been reached for this cycle and the first reduction will likely occur in June. While an interest rate drop will be helpful for borrowers, it's not so favorable for savers who'll see their interest yields drop.

Read on to find what interest rate changes to expect in 2024 and three ways to take advantage of today's high rates while you still can. See how much more you could be earning with a high-yield savings account here now.

What interest rates should you expect in 2024?

Riley Adams, a CPA and the founder of WealthUp, says it's hard to say what interest rates will look like in 2024. "Projections have the Federal Reserve cutting rates several times in 2024. What's fairly certain is that they'll remain above where they've been for most of the period since the Great Recession," Adams says.

Jill Fopiano, CFA, CPA, and the president and CEO of O'Brien Wealth Partners also says that rates will drop, but not by much. "Following a historically strong rate increase in a short period of time, the Fed has now indicated that it foresees three rate cuts in 2024, bringing the Fed funds rate from its current mid-5% level to 4.6% by the end of 2024," she says.

She adds that market expectations are more aggressive, predicting six cuts and a Fed funds rate of approximately 3.6% this year.

How to benefit from high interest rates now

While rate drops are likely on the horizon, here are three ways you can benefit from the current high rates.

Open a certificate of deposit (CD) account

A fixed-rate certificate of deposit (CD) account offers a guaranteed rate of return as long as you keep your deposit in the account for the required term. For example, Marcus by Goldman Sachs is currently offering a 5.50% APY if you keep at least $500 in a CD for 12 months. Adams says CDs offer a way to lock in the current interest rates and protect your savings from the forthcoming rate cuts.

"If you prefer cash or cash-like investments, and have the ability to tie your funds up for a bit, you can look to create a ladder of CDs from one to three years out to lock in the higher rates for longer," says Fopiano. "While the Fed funds cuts won't directly impact CD rates, banks are pretty quick to lower rates in tandem with the Fed."

Open a high-yield checking and savings account

If your not currently utilizing high-yield checking and savings accounts, switching over is also a smart move. Standard checking accounts have an average interest yield of just 0.07%, according to the latest data from the FDIC. Standard savings account aren't much higher with an average yield of 0.46%.

On the other hand, high-yield accounts currently offer yields up to 10 times those rates. While the APYs will drop following the Fed rate cuts, you can take advantage of the higher rates as long as they last. The APYs on high-yield accounts will also continue to be higher than the rates on standard deposit accounts, despite market fluctuations, so are a win-win.

Purchase Treasury debt

Another option is to purchase Treasury debt — public debt issued by the Federal government that has interest rates in line with market rates.

"Treasury debt comes in three flavors: Treasury bills (maturities of 12 months or less), Treasury notes, (1 year to 10 years), and Treasury bonds (10 years or longer)," explains Adams. He adds that longer-term bonds are the most sensitive to changes in interest rates. As a result, when interest rates fall, the value of existing bonds generally increases because a bond's price moves inversely to its yield.

Fopiano agrees. "For people who are looking to invest for the longer run, longer term Treasuries can provide attractive yields now, the benefit of price appreciation in the event of lower rates, and diversification in the event of a stock market pullback," she says.

The bottom line

With rate drops predicted for this summer, time is of the essence. The sooner you take advantage of today's high rates, the more you can potentially earn. Start exploring your high-yield savings account options now and start earning more interest!

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