

## CDs with High Yields – Investigate Before You Invest

CDs can be an appealing low-risk investment. Unlike other investments, CDs feature federal deposit insurance up to \$250,000 through the [Federal Deposit Insurance Corporation](#) (FDIC). Although CDs are issued by banks, brokerage firms and independent salespeople offer these products too. Like most investment products, CDs have gotten more complex and may involve more risk than in the past. That is why we recommend you “investigate before you invest.”

**Know the issuer.** Find out the name of the financial institution where your money will end up. Be sure you can take advantage of FDIC insurance, since FDIC insurance is limited to a total aggregate amount of \$250,000 for each depositor in each bank. On June 30, 2010, the federal deposit insurance limit will return to \$100,000.

If your issuer is not the deposit bank, you will need to know how your CD is held and get all the information about how the CD you are considering purchasing will be titled. Will your name be listed on the title or will you be depending on the sales agent to keep records to account for your ownership interest? Ask about your sales agent’s record-keeping to be sure your CD will have FDIC insurance.

If the issuer is a bank, search for FDIC-insured banks at [FDIC.gov](#). If you are working with an investment professional, [check with us to see if the issuer has any disciplinary history](#). Deposit brokers do not need to be licensed, so you may also need to check with the [Office of Consumer Affairs](#) (OCA) at the Virginia Department of Agriculture and Consumer Services.

**Read the fine print.** Carefully read the disclosure document you are provided, including the fine print. Ask questions. Consider checking with an unbiased source or an independent financial professional.

Like any investment product, make sure you understand all its terms and conditions. Be sure the terms are in line with your financial goals and your ability to pay penalties for early withdrawal or to do without your money for a period of time. Make sure you know all the fees involved.

Do you understand the CD’s maturity date and how that fits your financial circumstances? For example, a one-year callable CD may have a maturity of 15 to 20 years. Once again, read the fine print and be sure you see the maturity date and understand the impact of that maturity date on you and your money. Be sure you understand any call features of a CD you are considering.

Understand when you will be paid interest and how the payments will be made. For example, will you be paid interest monthly or semi-annually or at another time interval? Does this payment schedule fit your financial plans? Check to be sure you know how you will be paid. Will a check be mailed to you or will you be paid by an electronic transfer of funds?

**Understand the risks.** Inflation risk is your primary concern when considering a CD investment. Inflation risk means the risk that the inflation rate will be greater than your investment return and may reduce your overall return over time.

Callable CDs involve market risk. Market risk is the risk that when interest rates fall your higher yielding CD may be called and you may only be able to replace the CD with a lower yielding investment. If you are considering a variable-rate CD, be sure you understand when and how your interest rate may change and the impact on your money from any rate changes.

**Investigate before you invest.** If you have any doubts, consider your options and the impact on your money. If the higher yield and the associate risks make you uncomfortable, you may want to consider a safer option. Here is the latest investor education information on CDs from the [U.S. Securities and Exchange Commission](#).