Your CD Is Maturing. Now What?

7 Things to Consider Before You Automatically Renew

Renewing your CD may be exactly the right decision. But before you do, there is a more important question worth asking:

What do you want this money to do for you?

A CD is a tool. The right tool depends on the job. These seven questions can help you think about what matters before you make your next decision.

1. What is this money for?

Is it emergency money, money you expect to spend, money you want to grow, future income, or money you may eventually leave to family? Start with the purpose before comparing products or rates.

2. When might you need access to it?

Think about when you may need some or all of the money. A higher rate is not very helpful if the money is tied up when you need it.

3. Are you looking for growth, income, or both?

Some people want their money to accumulate. Others want dependable income. Some want flexibility to do either. Knowing the goal helps narrow the choices.

4. How important is protection from market losses?

If this is money you do not want exposed to stock-market declines, make that a requirement before considering your alternatives.

Before You Renew, Finish the Conversation

5. Are you paying taxes each year on interest you are not using?

CD interest is generally taxable as it is credited. Depending on the type of money and the alternative you choose, tax treatment can differ. It is worth understanding before you decide.

6. Could this money have another job later?

Money that is not needed today may eventually help with future care, provide income, or pass to family. You do not need to predict the future, but it helps to consider the possibilities.

7. Does automatically renewing still make sense for what you want today?

The answer may be yes. There is nothing wrong with renewing a CD when it fits your needs. The point is to make the decision deliberately rather than simply doing what you did last time.

There isn't one right answer for everyone. That's the point.

Before you compare rates or products, decide what you want the money to accomplish. Once you know that, comparing your choices becomes much easier.

Want to talk it through?
If you have questions after reading this guide, I am happy to help you think through your choices. No sales pitch - just a conversation about what you want the money to do.

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