

**Put your Tax Rebate Check or any Extra Money to Good Use
Consider a Certificate of Deposit**

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Uncle Sam is about to cut you a check for a change. Rebate checks from the economic stimulus package will start being distributed as early as May to tax filers. Individuals will get up to \$600, working couples \$1,200 and those with children, an additional \$300 per child. For a typical dual income working family with two children, that means \$1,800 back. So, what will you do with the extra money? What is the best use of this windfall or any extra money for that matter?

Should you choose to invest this money with a local bank, a good option may be a certificate of deposit (CD).

Consider CDs

CDs are a good choice for those looking for a short to mid term investment with a guaranteed rate of return. CD terms generally range from a few weeks to several years. In most cases the longer the maturation period the higher the interest rate that you'll be paid since your money will be tied up a longer amount of time. Generally the advice is that if rates are low, go for shorter time frames in case they rise. If rates are expected to drop on the other hand, select a longer time frame.

CDs are a popular investment tool for the elderly, but they are a wise instrument for the savvy investor of any age, since they preserve capital and are fully insured. The Federal Deposit Insurance Corporation (FDIC) insures CDs held at banks up to \$100,000 per depositor. In Massachusetts, mutual community banks are also covered by the Depositors Insurance Fund which picks up where FDIC insurance leaves off.

Another advantage of CDs is that they are easy to establish. They can be opened in person at any bank branch and some can even be opened online. Be mindful that there is often a significant penalty for early withdrawal so plan ahead to be sure you won't need cash before the CD reaches maturity.

Types of CDs

There are traditional CDs which pay a fixed interest rate over a specified period of time for a fixed amount of money. Then, there are non-traditional CDs. Bump-up and variable rate CDs are two of the more common non-traditional types. ***Bump-Up CDs*** allow you to take advantage of a more favorable rate, should interest rates rise. Banks usually only allow one bump up per term. You may sacrifice a lower initial rate for this privilege however. ***Variable Rate CDs*** adjust periodically based on market conditions.

Laddering

If you have a significant amount of money you'd like to invest in a safe and reliable manner, consider laddering. For example with a \$10,000 investment, you may choose to invest \$2,000 each in ladders of 1 year, 2 years, 3 years, 4 years and 5 years. At the end of every year, part of your money (\$2,000) will come due. Then rather than cashing that money out, roll it over or

reinvest that money in the term farthest out, in this case 5 years, getting the best possible rate (since the longer the term, the higher the return generally).

A strategy of this type allows you some short term access to your money and the ability to continually reinvest your money at current market rates. It protects your money against market fluctuations because you never have all your money tied up in the long term or lower than market rates. CD ladders can be as long or short as you like. All laddering uses a similar principle—investments are spread out over time to reduce exposure to fluctuations in interest rates.

CD rates are set according to open-market competition among banks and other financial institutions. Check your print or online news outlet for current advertisements or visit individual bank websites to find out what is being offered. In addition, rate and product comparison tools offered by credible sources, such as www.bankrate.com are useful and easy to use.

One of the most inexpensive, secure and accessible resources you have at your disposal is your local bank. Some banks may offer their current customers the best CD rates if they already have a minimum investment at that institution. If you already have a banking relationship where you have substantial deposits, then you may find your best investment is right there.