How Do the Fed's Interest Rate Moves Impact Your Wallet?

Where have rates been, and where are they headed?

Since the COVID-19 pandemic, the Federal Reserve has been a big topic in the news, especially with all the rate changes. After raising interest rates multiple times to fight inflation, the Fed eventually eased rates. Looking ahead, it now expects to gradually reduce rates over time, aiming for a lower target rate in the coming years.[1]

Will changes in rates impact me?

The Federal Open Market Committee (FOMC) expects short-term interest rates to go down slowly over time. This is important for savers since banks and credit unions usually adjust their rates to match the Fed’s moves. You might notice lower yields on some of these more conservative types of accounts:

- **CDs (Certificate of Deposit):**

  Recent trends have shown that average CD rates, whether national or high yield, have softened noticeably.[2]

- **High-Yield Savings Accounts:**

  While many high-yield savings accounts continue to offer competitive annual percentage yields, there has been a gradual decline in rates over time.[3]

- **Money Market Accounts:**

  Similar to savings accounts, money market rates have also experienced a downward trend, aligning with overall market movements.[4]

Is it time to lock in higher rates?

Even when interest rates on CDs, high-yield savings, and money market accounts are attractive in many cases, rates may continue to decline. With the possibility of further rate reductions and ongoing market uncertainty, you might consider exploring alternative investment options—such as annuities:

- **MYGA (Multi-Year Guarantee Fixed Annuity)**
  With a MYGA, you lock in a guaranteed interest rate for a set period. Since annuities are meant to be long-term investments, they often offer higher interest rates than other products. Plus, MYGAs are less affected by market ups and downs, making them a stable choice.

- **FIA (Fixed Indexed Annuity)**
  FIAs give you the potential for interest credits based on part of the positive performance of various financial indexes, without investing in the market. This means you can benefit from some of the positive movement of those indexes but don’t risk losing money if the market drops. Many FIAs also offer a fixed-rate option, so you can have both index-linked interest potential on part of your contract's value and a guaranteed interest rate on the other part. FIAs can help reduce risks in your portfolio, such as interest rate risk, bond risk, and sequence-of-returns risk.

What can you do during market uncertainty?

Market volatility is a natural part of the retirement saving landscape. As interest rates shift, it’s vital to stay informed and consider how these changes might affect your financial goals. Here are some key steps:

- **Stay Updated:**
  Keep an eye on broader economic trends and interest rate forecasts.

- **Diversify Your Portfolio:**
  A well-rounded retirement saving strategy, which may include annuities along with other asset classes, can help manage risk and explore solutions that provide stability outside the market.

- **Consult a Financial Professional:**
  Personalized advice can provide valuable insights and help tailor a strategy that aligns with your long-term goals while providing some peace of mind and a clear path forward.

By remaining proactive and well-informed, you can navigate changing economic conditions and make choices that support your financial well-being over the long run.

[1] FederalReserve.gov (Summary of Economic Projections)
[2] CD Rate Forecast: Are CD Rates Going Up in 2025? – nerdwallet.com (January 2025)
[3] Best Savings Interest Rate Today – Yahoo Finance (March 2025)
[4] Best Money Market Account Rates Today - Yahoo Finance (March 2025)

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