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

Since the COVID-19 pandemic the Federal Reserve has been saturating the headlines with rate change announcements. After a series of dramatic interest rate increases designed to combat inflation, the Fed dropped the rates three times in 2024. They are currently projecting a gradual year-over-year decrease in interest rates each year.[1] For many clients and advisors, navigating market uncertainty and falling rates can feel overwhelming.

How will this impact clients?

The FOMC (Federal Open Market Committee) has projected short-term rates will be lower each year. This rate is important to savers, as banks and credit unions usually align with Fed changes. As rates move lower, clients are likely to see reduced interest rates on their conservative financial assets.

- **CDs:**
  A recent NerdWallet article showed an average rate drop from 4.60% to 4.00% on both national average and high-yield CD rates between Sept. 2024 and Jan. 2025.[2]

- **High-Yield Savings Accounts:**
  As of March 11, 2025, Yahoo Finance reported many high-yield savings account rates remain above 4% annual percentage yield (APY) but have been on a decline between Sept. – Dec. 2024.[3]

- **Money Market Accounts**
  Similar to high-yield savings accounts, money market accounts can still be found offering a 4% APY. However, they did begin a downward trajectory in late 2024.[4]

Is now the time to lock in higher rates?

As of March 2025, CDs, High-Yield Savings and Money Market Accounts rate offerings remain historically high, but experts believe their trajectory is on a downward trend .[2,3,4] With rates dropping and the potential of market uncertainty on the horizon, it may be a good time to consider other strategies such as annuities.

Fixed annuities and fixed index annuities are fixed income products that are a good alternative to bonds and bond funds in the fixed portion of a client’s portfolio. There are two common types of these annuity products.

- **MYGA (multi-year guarantee fixed annuity)**
  By locking in a rate now, with a MYGA, that interest is guaranteed for the contract selected period. And because annuities are designed to be held for the long term, they may offer higher interest rates than other products. MYGAs also have less exposure to market volatility than bonds.

- **FIA (fixed indexed annuity)**
  FIAs offer credited interest potential based on a portion of the positive change in one or more diverse financial indexes, and flexibility to create multiple accounts across multiple indexes for a single contract which helps advisors adapt to market conditions. Most FIAs also offer a fixed rate option, giving advisors the option to pair index-linked crediting strategies with a guaranteed fixed rate account. Clients are never invested in the market but benefit from interest credits based on part of the positive movement of the various market indexes. Since principal and any accumulated interest are guaranteed, clients don't have to be concerned with market loss. FIAs can be used to reduce portfolio risk, including interest rate, bond, and sequence of returns risks.

Helpful Resources for Client Conversations

The complexities of the market can be overwhelming to clients. The following tools can help educate clients on historical and projected market trends. They also offer concrete ways to help them visualize alternative saving opportunities through annuities.

Are you talking with clients about how today's market trends could impact their financial strategy? We've created resources to help you lead those conversations with confidence. From market insights to client-ready materials, our toolkit is designed to educate, inform, and empower your clients as they explore risk management options.

Value Add Marketing Resources

[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)

Related Resources

- Need InspIRAtion for Educating Clients on IRAs?
- Need InspIRAtion for Educating Clients on RMDs?
- More Value Add Resources

service or activity.

Fixed index annuities are not stock market investments and do not directly participate in any equity, bond, other security, or commodities investments. Neither an index nor any fixed index annuity is comparable to a direct investment in the equity, bond, other security, or commodities markets. Unless otherwise indicated, the index's performance does not include dividends.

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