Highway Bank Robbery

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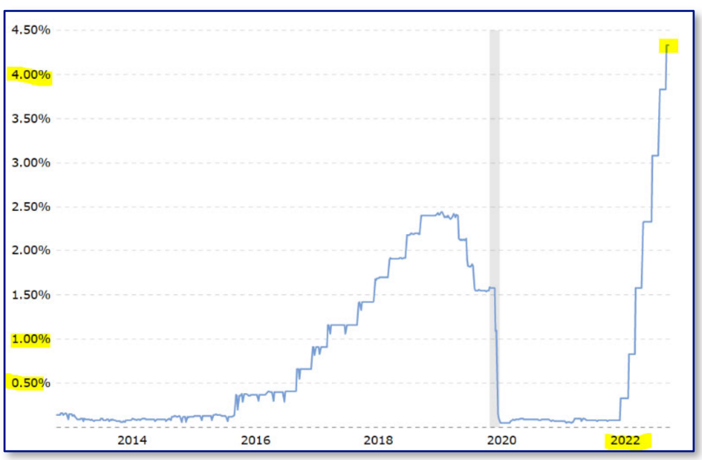
Investors who watched the gyrations in their portfolios over the past year are well aware that both stocks and bonds have performed poorly the last twelve months. Many market observers feel that the Federal Reserve's aggressive hiking of short-term interest rates is one of the primary factors driving the outsized volatility.

Yet *Savers*, those with "money in the bank", may be oblivious to these changes in short term interest rates.

In what we might call "**Highway Bank Robbery**", while the short-term rates used by most of the investing world have risen a lot, the interest rates paid by most banks on checking and savings accounts are still anchored near zero!

For a sense of how fast and far short-term rates have risen, take a look at this chart graphing the Federal Funds rate over the past 10 years:



In less than a year, the Federal Funds rate has spiked from close to zero, to over 4.25%. Surely, with short-term rates rising over 4% in 2022, savings accounts at Banks must be yielding at least 2-3%, right? Well, according to the FDIC, the national average yield on a traditional savings account is…drumroll please…0.30%.

Now that's just an average, and some banks are offering higher yields, but many are not. We went straight to the source and found these savings account yields on the websites of these large banks, as of the end of the year:

Bank	Chase	TD	PNC	Citi	B of A
Rate	0.01%	0.02%	0.01%	0.05%	0.01%

To be fair, these are the yields on "basic" savings accounts and many banks offer higher rates if you have multiple accounts and meet certain, higher account balance thresholds with them. But from what we've seen, most are not in the business of making it easy for their traditional customers to get higher yields on their cash held at the bank.

So, **what can you do about it**? First, the easiest step would be to find out what interest you're earning on your cash in the bank and call your bank to see if they have a higher yielding solution. We think you're unlikely to get very far. Either way, before you do, read on to see what it takes to be truly competitive nowadays.

Marcus: by Goldman Sachs®

You can open an online bank account. One online bank that we are familiar with is Marcus, a subsidiary of Goldman Sachs. Their current online savings account interest rate is **3.30%**. Obviously, you'd have to open a new account with Marcus, but they make it pretty easy. Accounts at Marcus are FDIC insured up to $250,000.

Then there are I-Bonds from the U.S. Treasury. These are inflation linked Treasury securities that are currently getting a lot of attention. Their yields, fairly low for decades, are now high due to the spike in inflation last year. For bonds issued between November 1, 2022 and April 30, 2023, the yield is **6.89%**. However, I-bonds are **far from a "cash" equivalent** - They are not liquid; you must hold them for at least 12 months. The opportunity is also quite limited as each individual is restricted to $10,000 per year of I-Bond purchases. Investors must open these accounts directly with the U.S. Treasury.

At 46 Peaks, there are several ways that **we can help you**. For clients with Schwab accounts, the easiest way is to invest in a high yielding Schwab Money Market fund. There are many available in different flavors of credit risk (Govt only or funds that include Corporate Paper) and minimums. The Schwab Value Advantage Fund Investor Shares, with no minimum, currently **yields 4.27%**. These funds are not FDIC insured, but Schwab is one of the largest managers of money funds in the business and has a great reputation for prudent cash management.

Perhaps the most unique cash vehicle in the marketplace is an online solution called **Flourish**. Flourish is a modern cash management system with many unique features. For one, it's currently **yielding 4.0%** on the first $500,000 of a joint account and 2.25% on amounts over $500,000. Flourish partners with several banks and through their technology platform, offers FDIC insurance on balances up to $2.5 million. Plus, Flourish allows investors to set "min" and "max" levels on their existing bank account balances and to automate transfers from a traditional bank account to and from Flourish. For example, if you want to keep at least $15,000 but no more than $30,000 in your checking account, Flourish lets you set up auto-transfers from Flourish to your bank if the checking account balance drops under $15,000, or transfers from your bank to Flourish if the checking account balance exceeds $30,000. Pretty neat. Flourish is only available through select financial advisors. We can introduce you.

Finally, there's another simple solution that few think about because its been uncompetitive for so long – **U.S. Treasury Bills**. That's right, in a brokerage account like those at Schwab, we can buy Uncle Sam's Treasury Bills at perhaps surprisingly high yields. These are the rates on U.S. Treasuries, quoted at Schwab, to start this year:

Term	3 Month	6 Month	9 Month	1 Year	2 Year
Yield	4.52%	4.79%	4.72%	4.72%	4.47%

Due to the unusual supply/demand imbalance in today's bond market, these rates are higher than the yields on AAA rated corporate bonds and CDs. While backed by the full faith and credit of the U.S. Government, U.S. Treasuries do fluctuate in value based on market interest rates.

Each of these solutions has its **pros and cons**. Some will not fluctuate in value, while others will. Some are FDIC insured. Some are not. Some are easy to invest in while others require more legwork. And some you can access daily like bank funds, while others are less liquid and may not be accessible immediately. But the bottom line is that if you have meaningful assets in a traditional bank, there's a good chance that your assets are not earning a competitive rate, and there are many things you can do about it. Like one last present that you find under the tree as you're putting away the decorations, think of these yields as a surprise gift from the otherwise Grinch-like Fed.