MONEY MATTERS . J. LYNN DAVIDSON

Getting better yields on your cash

Have you checked your bank statement lately? If so, you may have noticed that your savings account probably isn't providing a very good return on your investment these days. With the Federal Reserve Bank continuing to keep interest rates at or near record low levels, the return on standard cash equivalents, such as money market accounts and traditional savings accounts, is only slightly better than that provided by your average piggy bank.

According to Bankrate.com, a rate-tracking company, the national average interest rate for passbook and statement savings accounts is currently about 1 percent. In fact, the drop in interest rates has lowered the rates of most investment accounts traditionally thought of as savings vehicles. Fortunately, there are some financial strategies that may help balance out low interest rates and put your money back to work.

CDs can still offer benefits

Certificates of deposit (CDs) generally feature the highest interest rates available from a government-insured savings vehicle. Both the principal investment amount and the interest earned are federally insured up to $100,000 per account. While rates for CDs have also dropped, they can often still provide higher returns than most traditional savings accounts. For example, according to Bankrate.com, six-month CDs were generally earning in the range of .95 percent to 1.32 percent in mid-June, while one-year CDs are usually falling into the 1.01 percent to 1.6 percent range.

With a CD, you'll need to keep your money invested until the certificate matures or you will face a penalty for early withdrawal. The average CD term ranges from about three months to five years or more. Generally, the longer the CD term, the higher the interest rate applied to your investment.

A ladder may help even out the lean times

Traditionally, many investors have used a savings strategy called "laddering" when investing in CDs. Laddering occurs when you buy a series of CDs with staggered, or "laddered," maturities. For example, if you had $2,000 to invest, you could purchase four separate $500 CDs with three-month, six-month, nine-month and one-year maturity dates. As each CD matures, you could roll the total into a one-year CD.

The process of laddering CD maturities moves the funds available for you to use, if needed, every three months. Laddering can also help even out interest rate fluctuations. If rates drop, you'll still be locked in at higher rates for a portion of your investment. When rates rise, your next rollover can take advantage of the higher rate.

Just starting? Consider shortening your ladder

If you're thinking about starting a CD laddering strategy now, you may want to keep your ladder short. Rather than locking your money into long maturities of five years or more, consider establishing shorter maturities, from three months to a maximum of one year. As your CDs mature and interest rates begin to rise, you might extend your ladder further by reinvesting in CDs with longer maturities.

Treasury securities offer safe alternative

If security is your primary concern, few alternatives offer the safety and guaranteed returns of CDs. But because the U.S. government has never defaulted on a loan, U.S. Treasury securities are among the safest investments available, offering easy access to your cash, competitive interest rates and, in some cases, tax advantages.

Reduce your debt load

If you're currently carrying high-interest debt, such as a credit card balance, you may want to consider paying down your debt with a low-interest loan. Keeping your debt low is always a good idea, and paying off high-interest loans can provide a healthy return. Before you consider such a step, however, you should already have an emergency fund in place equal to three to six months of your basic living expenses. An emergency fund can help cover unexpected expenses caused by events such as car trouble or job loss.

Carrying a substantial high-interest debt can cost you hundreds of dollars in interest. For example, if you make a monthly payment of $30 on a $1,000 credit card bill charging 15 percent interest, it would take you three years to repay your debt. In that time, you'd end up paying more than $244 in interest.

Let a professional be your guide

Consider relying on the experience of a professional financial advisor to discover the full range of higher-interest savings and investment vehicles available to you. Your qualified financial advisor can review your overall financial picture and help you find the options that best fit with your future goals and plans.

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