**5 Different Types of Bank Accounts**

Although banks offer a wide variety of accounts, they can be broadly divided into five types: savings accounts, basic checking accounts, interest-bearing checking accounts, money market deposit accounts, and certificates of deposit. All five are insured by the [FDIC](http://www.investorguide.com/definition/federal-deposit-insurance-corporation-fdic.html) (in most cases, up to $250,000 per account). Most banks offer all of these types of accounts, so the bank you choose probably won't restrict this decision, although it does make sense to choose the account type you want first, so you can focus on that type as you shop around to various banks.  
  
Here is a brief description of each type of account:

Savings Accounts

These are intended to provide an incentive for you to save money.

You can make deposits and withdrawals, but usually can't write checks. They usually pay an interest rate that's higher than a checking account, but lower than a [money market account or CD](http://www.investorguide.com/article/11669/types-of-cash-investments-cds-and-money-market-instruments-igu/). Some savings accounts have a passbook, in which transactions are logged in a small booklet that you keep, while others have a monthly or quarterly statement detailing the transactions. Some [savings accounts](http://www.investorguide.com/article/go/360-savings/) charge a fee if your balance falls below a specified minimum.

Basic Checking Accounts

Sometimes also called "no frills" accounts, these offer a limited set of services at a low cost. You'll be able to perform basic functions, such as check writing, but they lack some of the bells and whistles of more comprehensive accounts. They usually do not pay interest, and they may restrict or impose additional fees for excessive activity, such as writing more than a certain number of checks per month.

Interest-Bearing Checking Accounts

In contrast to "no frills" accounts, these offer a more comprehensive set of services, but usually at a higher cost . Also, unlike a basic checking account, you are usually able to write an unlimited number of checks. [Checking accounts which pay interest](http://www.investorguide.com/article/go/360-checking/) are sometimes referred to as negotiable order of withdrawal ([NOW](http://www.investorguide.com/stock.php?ticker=NOW)) accounts. The interest rate often depends on how large the balance in the account is, and most charge a monthly service fee if your balance falls below a preset level.

Money Market Deposit Accounts (MMDAs)

These accounts invest your balance in short-term debt such as commercial paper, Treasury Bills, or CDs. The rates they offer tend to be slightly higher than those on interest-bearing checking accounts, but they usually require a higher minimum balance to start earning interest. These accounts provide only limited check writing privileges (three transfers by check, and six total transfers, per month), and often impose a service fee if your balance falls below a certain level.

Certificates of Deposit (CDs)

These are also known as "[time deposits](http://www.investorguide.com/definition/certificate-of-deposit-cd.html)", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from three months to six years. Because the money will be inaccessible, the account holder is rewarded with a higher interest rate, with the rate increasing as the duration increases. There is a substantial penalty for early withdrawal, so don't select this option if you think you might need the money before the time period is over (the "maturity date").