Build a 4-Year CD Ladder to Reach $100,000

Practical Playbook

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Why a CD Ladder

A certificate of deposit (CD) ladder splits your savings across multiple CD terms so that a portion of your money matures regularly. This approach aims to (1) lock in higher rates offered by longer terms while (2) preserving near-term access as each rung matures on a schedule. CDs from FDIC-insured banks or NCUA-insured credit unions are insured up to $250,000 per depositor, per institution, per ownership category.[1]

Target

Save $100,000 in 48 months. If you start from zero and contribute monthly, the required contribution depends on your average yield. As a planning shortcut, you can estimate the needed monthly deposit C for an annual percentage yield (APY) r with:

$$C \approx \frac{FV \cdot \frac{r}{12}}{(1+\frac{r}{12})^{48} - 1},$$

and for $r = 0$ simply use $100,000/48.

Choose a Ladder Structure

There are two practical options. Pick one and stick to its roll-over rules.

Option A — Quarterly 4-Rung Ladder (Liquidity First)

Create rungs at 3, 6, 9, and 12 months. Every 3 months, one CD matures. Roll each maturity into a new 12-month CD. After the first year, you will always have a CD maturing every quarter while most of your balance earns a 12-month rate.

- Best for: frequent access, nimble rate resets.
- How to start from zero: batch contributions for the first quarter, then open the 3-, 6-, 9-, and 12-month rungs in quick succession (or open smaller CDs as cash allows). From then on, always roll the maturing rung into 12 months.

Option B — Goal-Date Ladder (Yield Maximized for Month 48)

Stage rungs so they all mature no later than your goal date (month 48). For example, create 12-, 24-, 36-, and 48-month rungs and direct new money to the longest remaining term. In the final year, stop rolling and let all rungs mature into cash *by* month 48.

- Best for: a hard goal date with minimal reinvestment risk right before the goal.

[1] Verify coverage at your bank/credit union; brokered CDs settle at custodians but are still subject to issuer insurance limits.

Funding Plan (from Zero)

1. **Pick your ladder option** and the banks you will use (compare APY, minimums, early withdrawal penalties, and partial withdrawal rules).
2. **Automate a monthly transfer** from checking to a high-yield savings account (HYSA). Use this as "staging" so you can open/roll CDs in tidy chunks (monthly or quarterly) instead of dozens of micro-CDs.
3. **Open initial rungs** as soon as you've batched enough cash: either the 3/6/9/12-month set (Option A) or the 12/24/36/48-month set (Option B). Split funds evenly at first.
4. **Roll and extend:** when a CD matures, in Option A roll it into a new 12-month CD; in Option B, roll into the longest term that still matures by month 48. Redirect fresh monthly contributions to the longest-earning rung.
5. **Glide path into cash:** in the last 12 months, stop extending maturities beyond your goal date. Let the ladder collapse into cash right on schedule.

How Much to Contribute Each Month

Table 1 shows the approximate monthly deposit needed to reach $100,000 in 48 months at several average APYs, assuming monthly compounding on your aggregated balance (a planning approximation for a rolling ladder).

APY (annual)	Required Monthly Contribution	Total Contributed (48 mo)	Est. Interest Earned
0.00%	$2,083.33	$100,000.00	$0.00
2.00%	$2,038.36	$97,841.28	$2,158.72
3.00%	$2,015.51	$96,744.48	$3,255.52
4.00%	$1,993.63	$95,694.24	$4,305.76
5.00%	$1,972.70	$94,689.60	$5,310.40

Table 1: Monthly contribution estimates for a 48-month horizon.

Tip. If your actual blended APY differs, recompute using the formula above or a spreadsheet. Overshoot by 5–10% to cover rate slippage or months you might miss.

Example Roll Schedule (Option A)

Month 1: Open 3-, 6-, 9-, and 12-month CDs, splitting the cash equally.
Month 3: The 3-month CD matures. Reinvest *principal + interest* into a 12-month CD.
Months 6/9/12: Repeat. After month 12, you hold four 12-month CDs that mature every 3 months (months 15, 18, 21, 24...).
Months 13–48: Keep monthly contributions flowing to your HYSA and add them to the *next* maturity when it rolls into a new 12-month CD.
Final Year: Stop extending past the goal date; let maturities fall to cash.

Bank Selection Checklist

- **APY and term menu:** look for competitive 6–48 month options; verify APY compounding basis.
- **Minimums and penalties:** know early withdrawal penalties (commonly 3–12 months of interest). Consider *no-penalty CDs* for your shortest rung.
- **Partial withdrawals:** some banks allow partial early withdrawals—useful for tight cash needs.
- **Account limits:** confirm FDIC/NCUA coverage ($250,000 per depositor, per institution, per ownership category). Spread across issuers if you will exceed limits.
- **Funding logistics:** ACH speed, mobile check limits, grace periods at maturity, auto-roll options, and beneficiary (POD/TOD) settings.
- **Brokered vs bank CDs:** brokered CDs add convenience for multiple issuers but watch call features and secondary-market price risk if you sell before maturity.

Tax Notes (U.S.)

CD interest is typically taxed as ordinary income in the year it is credited (Form 1099-INT), even if you let it compound. In tax-advantaged accounts (IRA CDs, HSA CDs), taxes are deferred or avoided depending on account rules. Consult a professional for your situation.

Risk and Safeguards

- **Rate risk:** your ladder naturally re-prices as rungs mature. Short rungs provide upward-rate capture; long rungs protect if rates fall.
- **Liquidity:** your next maturity is your emergency valve. Keep 1–3 months of expenses in a liquid HYSA separate from the ladder.
- **Behavioral risk:** automate transfers, and set calendar reminders for maturity windows and grace periods.

Putting It All Together

1. Automate $\geq$ \$2,000/month (see Table 1) to your HYSA.
2. Open the initial rungs (Option A or B) and roll per the rules above.
3. In months 37–48, stop extending past the goal date; let CDs mature to cash so the full $100k is available on time.

Planning heuristic: If you can contribute $2,000/month and your blended ladder APY averages near 4%, you should reach $100,000 in roughly four years (Table 1). If rates drop, increase the contribution by 5–10%.