

What is a money market savings account?

These FAQs give you the benefits, strategies and items to note.

Account options for saving cash generally fall into three categories: checking, savings and investing. A money market savings account fits somewhere between checking and savings — it's a savings account that earns interest, but it has checking benefits that allow you to use the funds more freely. Here are some questions and answers that help you understand how money market accounts work.

What is the difference between money market savings accounts and savings accounts?

Money market savings accounts typically have higher interest rates but may require larger deposits and higher minimum balances, possibly ranging from \$500 to \$2,500. The funds may also be more liquid. With checks and a debit card included, you can make transactions straight from your money market savings account, where savings accounts typically require you to transfer funds to yourself first. Both accounts, by law, typically allow six transactions per month. These transactions could be writing a check, using a debit card or moving money to another account.

Why use a money market savings account?

If you want to earn an interest rate on your money but want easy access to those funds, a money market savings account may be for you. For instance, it may be a good fit for an emergency fund or anything you wish to save for. You can keep those budget items out of sight so you don't spend them, grow them with interest, and have them available in a pinch. Consider using your money market account to establish a direct deposit or to pay a few recurring expenses — just keep in mind the minimum balances and maximum number of transactions.

What are the key benefits?

You will be entitled to \$250,000 or [more in FDIC coverage](#) depending on the category of your bank account(s). The amount of owners and beneficiaries may increase the amount insured at banks. Up to \$250,000 is insured by the [NCUA](#) for credit unions. Unlike investment accounts, earnings aren't dependent on market fluctuations — so they are safe. You also don't face penalties for accessing the funds, as long as you stay within the monthly transaction limit of six.

What else is important to know about a money market savings account?

You may have to maintain a high minimum balance — think \$2,500 — and you could face monthly fees if you don't. Some banks may also only allow three transactions a month.

How do I get started?

Shop for the highest interest rate first. Because a money market savings account is not an investment account, you run no greater risk for a higher yield. However, you may want to layer in a few other considerations:

- Are there monthly fees? How much?
- Is a monthly deposit required?
- What's the initial deposit minimum? Do you have that ready?
- What's the minimum balance? Is it reasonable for you to maintain?
- Does interest compound daily or monthly? (Daily interest will earn you more.)