# A Different Breed Of Diversification: What Multiple Certificates Can Do For You

For planned savings, share certificates (aka "savings certificates" or "certificates") are a great option. They allow you to earn a pretty good return on your money while keeping it accessible enough to use for major expenses. If you're planning on buying a house or a car, keeping your down payment money in a certificate can help it grow toward your goal a little faster.
What if, though, you're saving for both of those things? It's difficult to make partial withdrawals from a certificate, and doing so can hurt your earnings. Let's take a look at three ways to solve this problem, and consider the pros and cons of each.

**1.) Lump it all together**
One option would be to put all your savings goals into one certificate. You'd take your house down payment, your car funds, your vacation savings and your rainy day money and put them all in a single certificate. This strategy is simple and straightforward.
*The good*
First, there's only one statement to keep track of each month. At tax time, you'll only have one document that shows the dividends you've earned, and you won't have to track down multiple pieces of paper to figure out how much you've got saved. You can make withdrawals when it comes time to achieve your savings goals, and put the remainder into a new certificate at that time. Sometimes, larger sums of money earn better rates, so lumping all your money together can improve your return over the long haul.
*The bad*
Because all the money is in one pot, it can be difficult to determine how close you are to each goal. You're also stuck on the time frame of your shortest-term goal. If you want to buy a car in a year from now, you can only get a one-year term to save for everything, including the house you want to put a down payment on in five years. That short-term rate may not be as good as you could get otherwise.
*The bottom line*
If all your savings goals are on a similar time frame, or if simplifying your financial life is your foremost priority, a single certificate for all your savings is a good idea.

**2.) Different certificates for different goals**
In this slightly more complicated approach, you would open one certificate for your car down payment, one for your house savings and one for your emergency fund. These would all be held in different certificate accounts, and would earn interest separately.
*The good*
Since each of your savings goals are in individual accounts, you can get better rates by locking long-term goals into long-term certificates. Instead of keeping all your money tied to the term of your shortest goal, you can stagger your terms to meet the individual needs of all your goals.

This will allow you to lock in better rates and make more strategic withdrawals at the time you need the money. Dividend rates change over time, so multiple certificates allow you to avoid the risk of missing better rates, since you have more opportunities to re-lock rates.

*The bad*

The variable interest rates can make figuring your earnings difficult, and the multiple accounts can create some confusion when tax filing time arrives. Having multiple accounts also might keep you from getting the best dividend rates, which are reserved for larger balances. So-called “jumbo” certificates can magnify returns if your savings exceeds a certain amount. You may also have an emergency that requires you to dip into savings; in these instances, you may have difficulty accessing a significant portion of your money.

*The bottom line*

Multiple certificate accounts offer a combination of flexibility and security that would be helpful for those with a diverse range of goals.

**3.) The ladder**

A certificate “ladder” is a strategy that uses multiple long-term certificates opened at regular intervals. The objective of a ladder is to secure the best rates possible while ensuring some money is still available at regular intervals. For example, a five-year ladder involves buying a series of certificates so a five-year account is maturing each year.

*The good*

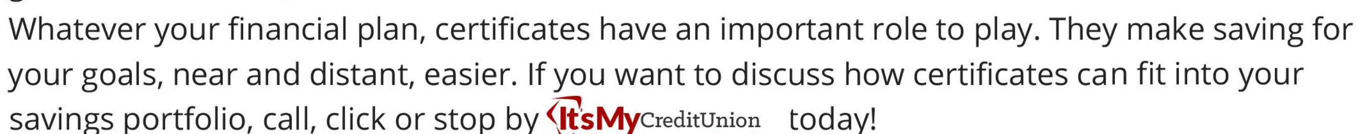
A ladder is very flexible and it helps to lock in the best available rates. Long-term certificates have the best rates, regardless of size, and a certificate ladder lets you take advantage of them. It also protects you against the usual problem of long-term certificates. When rates change, you have the flexibility to reinvest and secure those rates.

*The bad*

Setting up a certificate ladder can require some very careful planning, and the minimum investment is much higher. Instead of needing the minimum deposit for one certificate, you need the minimum deposit for five of them. Additionally, only one-fifth of your savings are available at any one time. If you’re saving for a large single goal, this can complicate matters considerably.

*The bottom line*

Ladders are a complex strategy that can maximize returns for those who are saving for flexible goals like vacations, home renovations and vehicles.

Whatever your financial plan, certificates have an important role to play. They make saving for your goals, near and distant, easier. If you want to discuss how certificates can fit into your savings portfolio, call, click or stop by 

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