

All You Need to Know About Share Certificates

What is a share certificate?

A **share certificate** is an insured savings account, typically with a fixed dividend rate through a fixed date of maturity.

What are the advantages of share certificates?



Low Risk

With each certificate, which is insured by the NCUA, your money is secure.



Higher Dividend Rates

Certificates offer all the security of savings accounts with higher yields.



Locked-In Rates

The APY* (Annual Percentage Yield) on a certificate is locked in until its maturity date (term).



What certificate term should I choose?

When you open your certificate, you'll be given a choice for the maturity term, typically from three months to five years.

In general, certificates with longer maturity terms will earn a higher rate, but rate should not be your only point of consideration.

Choose a shorter term if you anticipate needing to access the money soon.

Choose a longer term if you won't need to access the funds anytime soon.

In addition to rate and term, also factor the impact of your certificate(s) on your overall savings plan.

How do I calculate the earnings on my share certificate?

Use this formula to calculate the earnings on your share certificate:

$$APY = (1 + r/n)^n - 1$$

In this formula, "r" is the annual dividend rate and "n" is the number of compounding periods each year. Your share certificate can be compounded yearly, quarterly, monthly or daily, so be sure to check with your credit union when completing this formula.

Example: Where Rate (r) is 3.5% and number of periods (n) is 12

$$APY = (1 + r/n)^n - 1$$

$$APY = [1 + (3.5\% \div 12)]^{12} - 1$$

$$APY = 3.56\%$$

