

# Banks Are Offering 4.5% CDs—Just Not to Regular Customers

## Consumers are finding the highest interest rates on CDs in years through brokerage firms

*A series of interest-rate rises have rippled through the U.S. economy, and more are projected to be on the way. WSJ breaks down the numbers hitting Americans' wallets this year and beyond.*

By [Rachel Louise Ensign](#) Oct. 24, 2022 7:00 am ET

[JPMorgan Chase JPM 0.12%increase; green up pointing triangle](#) & Co. offers most of its customers a one-year certificate of deposit paying a 2% interest rate. The bank recently offered clients of broker Fidelity Investments a nearly identical product—at 4.5%.

Banks are selectively raising interest rates on deposits following the Federal Reserve's [steep rate increases](#) this year. Many are paying their best rates on so-called brokered CDs, which well-off customers buy through brokerage firms. The offers are helping CDs—deposits that are locked up for a set period—[regain popularity](#) after falling out of favor in the era of low rates that followed the financial crisis.

The percentage of deposits tied up in CDs reached an all-time low of 6.3% in the first quarter of 2022, according to Federal Deposit Insurance Corp. data. The metric ticked up to 6.8% in the second quarter.

Brokered CDs make up as much as half of the CD market, according to an analysis of federal banking data by consulting firm Curinos.

A range of banks offer brokered CDs through brokerage firms' websites. The products typically carry many of the [same features as traditional CDs](#), including minimum deposit amounts and the backing of federal-deposit insurance.

There are some differences. Customers who want to get out of a brokered CD before the term ends must sell the product on a secondary market, said Richard Carter, vice president of fixed income at Fidelity. Some also have a feature where a bank can choose to return a customer's money, with interest, before the end of the term, he said.

Leigh Gathright was scanning the investment options in her Charles Schwab brokerage account earlier this year when the CD rates caught her eye. Ms. Gathright, 61 years old, last purchased a CD in the 1990s. The rates offered on Schwab were about double what her local bank advertised.

A retiree who lives in Dallas, Ms. Gathright in July put \$10,000 into a nine-month CD yielding 3.9% from [Discover Financial Services DFS 1.25% increase; green up pointing triangle](#). Best known for its credit cards, Discover typically offers its customers higher CD rates than other banks, though they are still below the rates it offers through brokerage firms. Customers buying directly from Discover recently could get 3.25% for a 12-month CD.

Ms. Gathright has since bought five additional CDs and is considering buying even more if rates keep rising. “Never did I ever suspect I’d be buying CDs again,” she said.

Charles Schwab is seeing an uptick in interest broadly. Traffic to the part of its website where customers buy CDs rose 54% in September from a month earlier, a spokesman said.

Even when rates are low, brokered CDs [tend to carry higher rates](#) than those the banks offer directly to their customers. Now that rates are rising, though, banks are using them to hang onto the deposits of wealthy customers, which [have been less sticky](#) than those of regular customers lately, said Adam Stockton, a director at Curinos who advises banks on deposit pricing.

“Most banks three-to-six months ago were in the position of, ‘We have too many deposits.’ There’s now a more balanced view of, ‘Hey, we don’t want to go crazy but we would like to retain deposits and relationships to the extent that we can,’” Mr. Stockton said. Banks [were flooded with deposits](#) in the early months of the pandemic, largely due to government stimulus payments.

On Friday, banks were offering one-year brokered CDs on Fidelity and Schwab yielding up to 4.5%, and six-month CDs at up to around 4.1%. The national average for a traditional one-year CD was about 1%, according to Bankrate.com.

Some of the largest national banks, which have been [slow to raise rates](#) on deposits for regular customers, are offering generous terms on brokered

CDs. [Wells Fargo WFC 0.83% increase; green up pointing triangle](#) & Co. on Friday offered a 4.35% rate on a one-year CD through Schwab. It offered retail customers a “special” 13-month CD at a rate around 2.75%.

With interest rates rising, many banks are paying their best rates on CDs offered through brokerage firms such as Charles Schwab, in part to hang onto deposits of wealthy customers. PHOTO: JUSTIN SULLIVAN/GETTY IMAGES

The interest differential adds up. A customer buying JPMorgan’s recent offer at Fidelity would earn around \$2,500 more on a \$100,000 CD than on the similar product purchased directly from the bank.

Local and regional banks are also competing. Three-branch Georgia community lender Bank of Madison is among the banks offering generous rates on Schwab.

Brian Frank, a financial adviser in Key Biscayne, Fla., said he recently started recommending the product to clients looking for a low-risk place to stash money. One young couple he works with in September put money they saved for a home purchase in 2024 or later into a one-year CD. While the rates won’t keep up with red-hot inflation, they are still appealing, he said.

“It’s something we haven’t seen in over a decade: acceptable returns on FDIC-insured investments,” Mr. Frank said.

Write to Rachel Louise Ensign at [Rachel.Ensign@wsj.com](mailto:Rachel.Ensign@wsj.com)