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Can You Lose Your Money In A Money Market Account?

Written By **Rachel Murphy**
Contributor
& 1 other

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Finding the right place to hold your money can be tricky. Investing your money in the stock market has the potential for big earnings, but it comes with the risk of losing your investment. Savings accounts keep your money safe but often earn paltry interest rates.

Money market accounts offer a middle ground: easy access to your money and modest interest earnings. While you can lose money indirectly in a money market account through fees and penalties, the money you invest in your account is insured and safe.

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Annual Percentage Yield	Minimum Deposit Requirement	Monthly Maintenance Fee
5.00%	$100	$0

What Is a Money Market Account?

A money market account (MMA) is a deposit account that combines the best attributes of traditional checking and savings accounts. Most money market accounts allow check-writing privileges, and some institutions issue debit cards for the accounts. However, like savings accounts, they are often limited to six

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Ally Money Market Account Review withdrawals per statement cycle. They're better suited for savings goals, not everyday checking use.

Money market accounts are offered by banks and credit unions, so they are FDIC or NCUA-insured up to $250,000 per depositor, per account category. That promise makes money market accounts one of the safest ways to hold money, especially for an emergency fund or a short-term savings goal like a wedding or vacation.

People often confuse money market accounts and money market funds. While they're similar, money market funds are investment accounts rather than deposit accounts, so there is a greater chance that your initial investments may decline in value. Money market accounts offer a variable annual percentage yield, often based on the balance in the account. Many institutions offer higher APYs for higher balances.

How Can You Lose Your Money in a Money Market Account?

Since money market accounts are insured by the FDIC or the NCUA, you cannot lose the money you contribute to the account—even in the event of a bank failure. You can, however, be subject to fees and penalties that reduce your earnings. If the interest earned is low enough and the fees for the account are high enough, you may lose money.
Although money market accounts aren't subject to the ups and downs of the stock market, they may come with higher fees than other savings products. Fees for monthly account maintenance, low balances or frequent transactions can eat into your balance and cost you money over time. Some banks and credit unions offer ways to avoid monthly fees, like opening other accounts or maintaining a minimum balance.

For example, if you put $1,000 into an MMA that earns 3.00% APY, your earnings for a year would total $30.45. However, if that money market account charges a monthly maintenance fee of $6 per month, you would lose $41.50 for the year. If you plan to keep a higher balance, the interest earned could outweigh the potential fees, putting your earnings for the year in the black.

How To Invest Money and Not Lose in an MMA

It's easy to invest money in a money market account—most traditional banks, credit unions and online banks offer them. To find the one that fits your needs, compare each account side by side. The best money market accounts will come with high interest and low or no account fees. Read the fee schedule carefully, and pay attention to any monthly maintenance fees, daily minimum balance requirements and withdrawal penalties.

If you plan to keep a considerable amount of money in your MMA, you may also evaluate the pros and cons of money market accounts and consider alternatives. If you don't plan on accessing the money in the account for a while, a certificate of deposit (CD) or a savings bond may earn more interest and keep up with inflation better than a money market account. MMAs earn variable interest, which can make it tough to keep up with inflation.

How Much Money Should You Invest in a Money Market Account?

A money market account is a great option for savings balances you want to be able to access. How much to save in a money market account depends on your goal for the money.

If you're using your money market account as your emergency fund, experts recommend keeping at least three to six months' worth of expenses accessible. In the case of a job loss, injury or a major housing or auto repair, you'll have money when you need it, without paying penalties for early withdrawals. If you're saving for a major life event, like a wedding or house down payment, estimate the cost and keep that amount in your MMA.

A money market account offers flexibility and earnings with the added confidence of FDIC or NCUA insurance. If you're looking for a way to earn interest without risking your initial investment, it's worth considering a money market account.

Find The Best Money Market Accounts Of 2024

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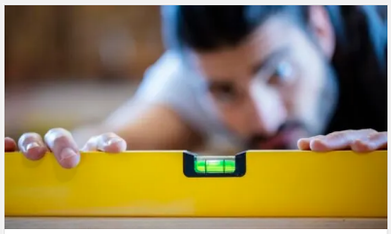

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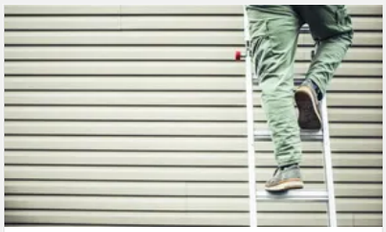

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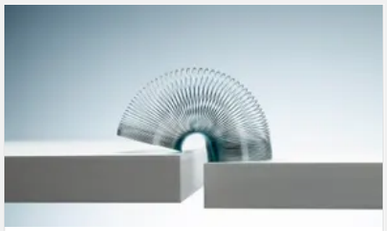

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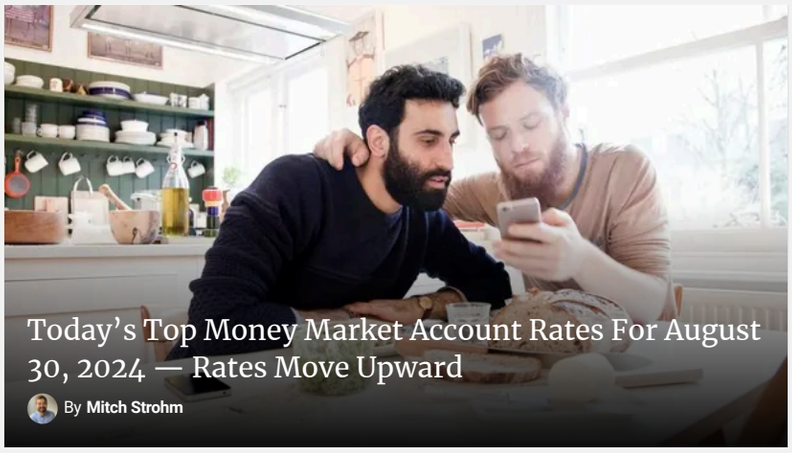

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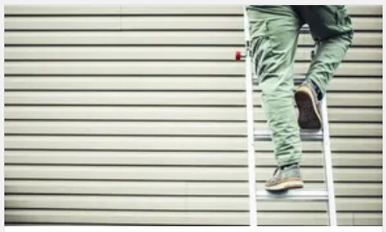

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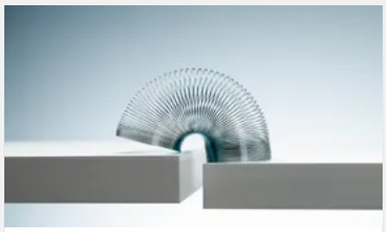

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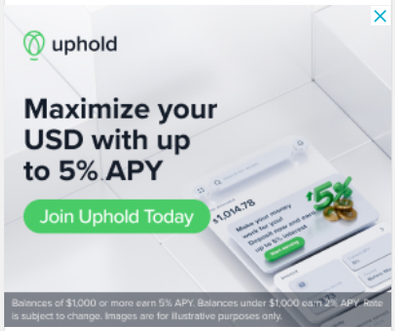

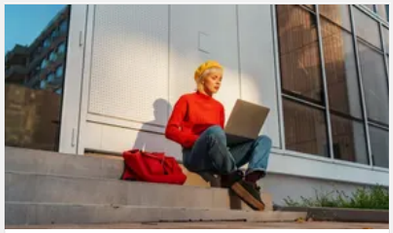

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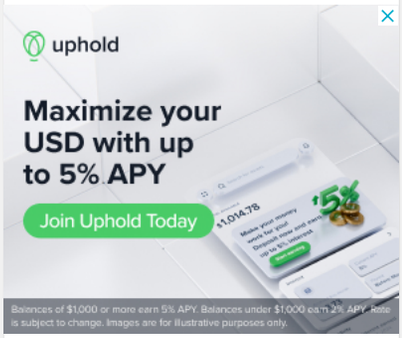

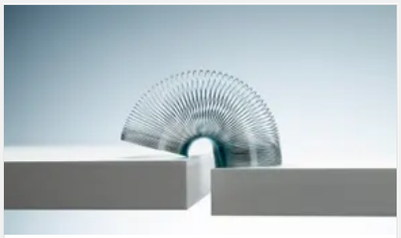

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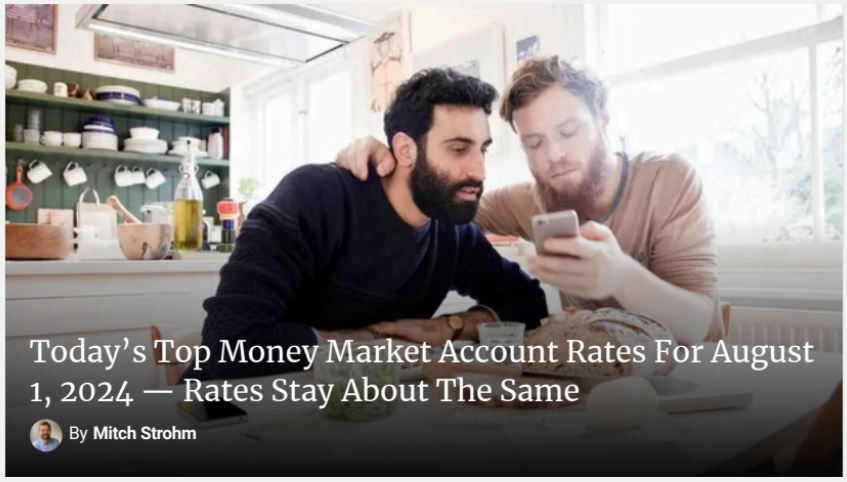

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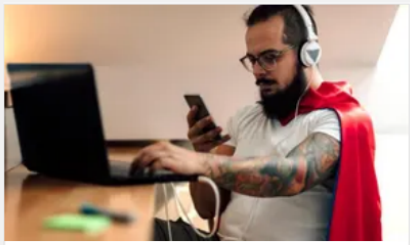

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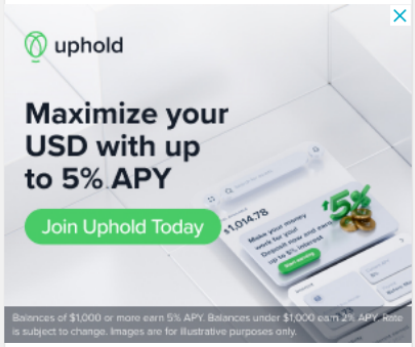

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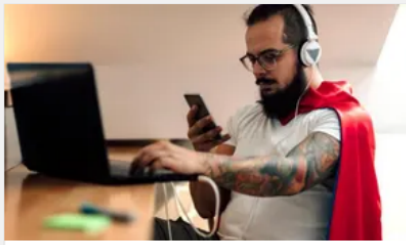

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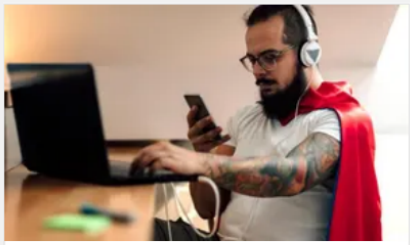

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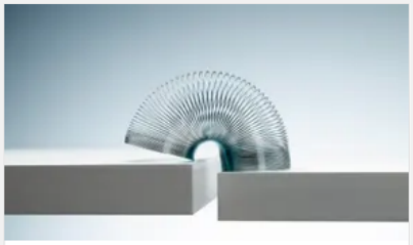

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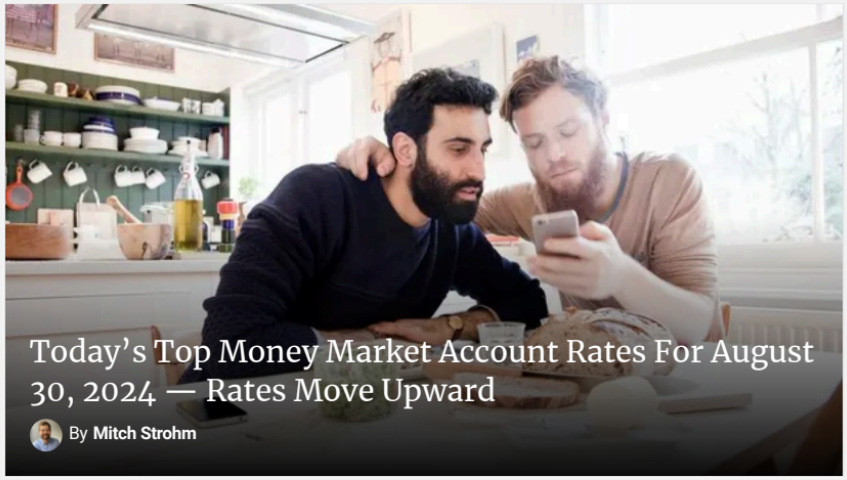

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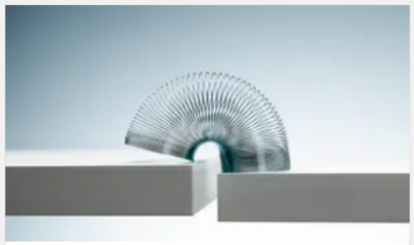

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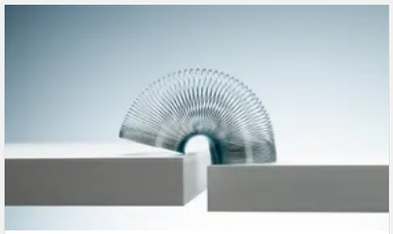

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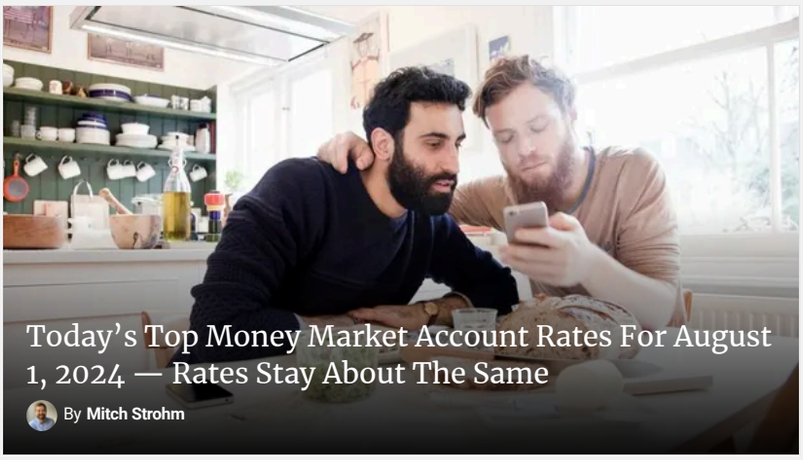

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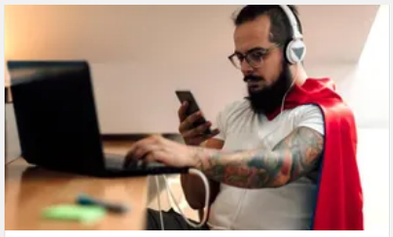

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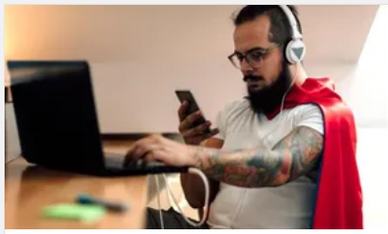

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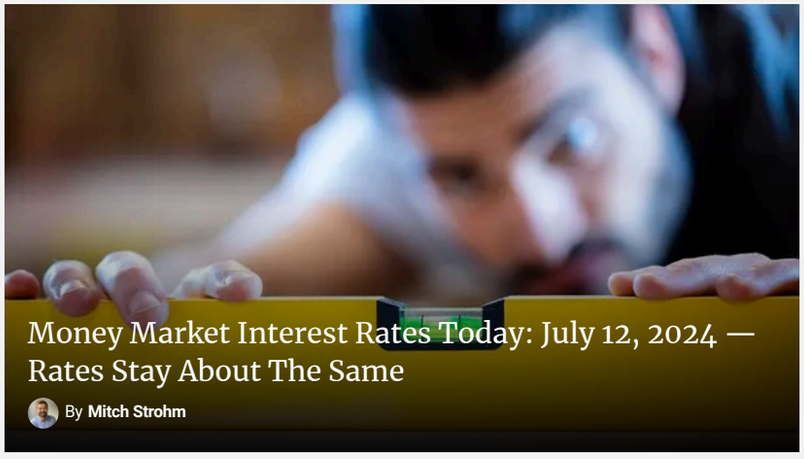

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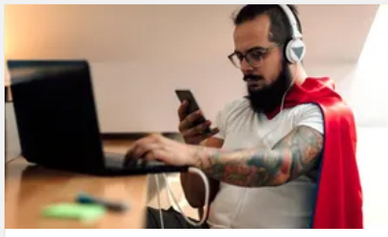

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Contributor

Rachel Murphy is a freelance writer passionate about helping people make their money work harder. She has more than 15 years of writing and editing experience, focused on small businesses, banking, investing, and healthcare. She has worked with several outlets, including Investopedia, Verywell Health, Money, and IN Kansas City Magazine.

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