

Certificate of deposit

What is a certificate of deposit?

A certificate of deposit (CD) is a time deposit, issued by a bank or savings association, that typically pays periodic interest at a fixed rate for a specified period of time.

CDs purchased through Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill), a registered broker-dealer, are called brokered CDs and are held in a Merrill brokerage account. Unlike typical brokerage investment products, CDs are issued by banks and savings associations and are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits.

- Callable CDs, which generally offer a higher yield than noncallable CDs because the issuer can redeem them before their maturity date
- Interest-bearing CDs
- Step-up CDs, which offer coupons that increase on pre-determined dates

When should you consider a certificate of deposit?

If you want to create a diversified portfolio, or your investment objective is to preserve your wealth or obtain a steady income stream and FDIC insurance, consider a CD.

What are the benefits of a certificate of deposit?

Diversify your portfolio with FDIC-insured investments

- An FDIC-insured CD may be ideal for both conservative investors and investors who want to balance their portfolios with secure investments.
- CDs have maturities typically ranging from one month to 30 years. There are various types of CDs:
 - Noncallable CDs, which cannot be redeemed by the issuer before their maturity date

Access CDs of multiple issuers through Merrill Lynch Wealth Management

- You can gain access to CDs issued by numerous banks and savings associations through Merrill for a minimum investment of \$1,000.
- If CDs bought through Merrill must be sold before maturity, it may be possible to do so in the secondary market. Merrill maintains a secondary market in CDs, although it is not obligated to do so.
- All interest and principal payments are credited to your Merrill account.
- CDs purchased through Merrill are available only in book-entry form, evidenced by one or more master certificates issued by the depository institution, each representing a number of individual CDs. These master certificates are held by The Depository Trust Company (DTC). Merrill, as deposit broker and custodian, keeps records of your CD ownerships and provides you with account statements and written confirmations of your CD holdings and purchases.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPF&S" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BofA Corp."). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp.

Banking products are provided by Bank of America, N.A. and affiliated banks, Members FDIC and wholly owned subsidiaries of Bank of America Corporation.

Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Secure your investment¹

- CDs purchased through Merrill are insured by the FDIC up to a maximum of \$250,000 for both principal and interest, per depositor, for all deposits held in the same capacity per depository institution. Any accounts or deposits maintained directly with a particular depository institution or through any other intermediary are combined for purposes of determining whether the insurance limit has been reached.
- You can maximize benefits of FDIC insurance coverage by purchasing CDs of various banks and savings associations. Our range of offerings enables you to meet the FDIC insurance limit without having to transfer \$250,000 increments to different banks. Your CD investments purchased through us can be displayed in a single Merrill account statement.

Deposit insurance is determined based on depositor (owner) and on account ownership categories per bank. The FDIC's rules and regulations for deposit insurance recognize several categories of ownership and rights, including:

- Single-ownership accounts
- Joint accounts
- Trust accounts
- Certain self-directed retirement accounts, such as traditional and Roth individual retirement accounts (IRAs), self-directed Keoghs, and certain other qualified retirement accounts
- Employee benefit plan accounts
- Corporations, partnerships and unincorporated association accounts

For additional information about deposit insurance and all account ownership categories, please refer to the FDIC website at [fdic.gov](https://www.fdic.gov).

Use CDs to help pursue specific goals and objectives

Your Merrill financial advisor can help you develop strategies for incorporating CDs into a diversified investment portfolio. Depending on your goals and objectives, risk tolerance, time horizon, and liquidity needs, your financial advisor can help you:

- Use short-term CDs to obtain potentially attractive returns on the portion of your portfolio allocated to cash equivalents
- Stagger maturity dates
- Create a portfolio with different interest payment dates
- Use CDs in Investment Advisory Program client discretionary accounts

What else should you know about a certificate of deposit?

- CDs have limited liquidity and may be most appropriate for purchasing and holding to maturity.
- Because CDs are time deposits, early withdrawals are generally not allowed except in limited instances, such as death or adjudication of incompetence. If you are able to sell your CD before the maturity date in any secondary market, the price you receive is subject to market conditions and may be lower than the price you originally paid, and you could lose a significant portion of your invested principal.
- A callable CD is subject to early redemption by the issuing bank. If you plan to purchase callable CDs in the secondary market at a premium to their par value, be sure you know their "yield to call" before you invest. The yield to call is particularly important in a declining interest rate environment because it is more likely that the issuer would redeem the CD early in that event.
- A CD issuer may become undercapitalized, or be of non-investment-grade quality, increasing that issuer's insolvency risk.
- When CDs are purchased in the secondary market at a premium to the par amount (or to their underlying accreted value in the case of zero-coupon CDs), that premium is not FDIC insured.
- CDs may also be redeemed for less than the purchase price if they were bought in the secondary market at a premium to the par amount (or accreted value in the case of zero-coupon CDs).
- CDs purchased through Merrill pay simple interest; that is, interest is not compounded.

How can you get started?

If you're seeking investments that are FDIC-insured and offer a potentially dependable source of income, ask your Merrill financial advisor about CDs. Your financial advisor can help you develop customized strategies that fit your needs, goals, risk tolerance, investment time frame and liquidity requirements. To learn about other Merrill Lynch Wealth Management services, visit ml.com.

¹ Each CD is a direct obligation of the relevant issuer and is not, directly or indirectly, an obligation of Merrill. Merrill will not be obligated for amounts not covered by deposit insurance. Nor will Merrill be obligated to make any payments to satisfy a loss that might be incurred as a result of (i) a delay in insurance payouts applicable to a CD, (ii) the receipt of a decreased interest rate on the reinvestment of the proceeds received as a result of the payment of the principal and accrued interest of the accreted value of a CD prior to the scheduled maturity in connection with the liquidation of an insured institution, or (iii) payment in cash of the principal and accrued interest of the accreted value of a CD before maturity in connection with the liquidation of an insured institution or the assumption of all or a portion of its deposit liabilities at a lower interest rate. In connection with the latter, please note that the amount of a payment on a CD that had been purchased at a premium in the secondary market is based on the original par amount (or, in the case of a zero-coupon CD, its accreted value) and not on any premium amount. Therefore, the full amount of the premium will be lost as a result of such a payment. Factor these possible delays into investment planning. Merrill also will not be obligated to credit an account with funds in advance of payments received from the FDIC.

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