

[Home](#) / [Store](#) / [CD Ladder Builder: Lock In High Rates and Keep Cash Accessible](#) / Complete Guide

[Complete Guide](#)

CD Ladder Builder: Lock In High Rates and Keep Cash Accessible

A CD ladder solves the problem that every saver faces in a rate environment where today's good yields may not last: if you put everything in a single 5-year CD, you are locked out of better rates if yields rise, and trapped if you need cash early. If you put everything in a 1-year CD, you miss the yield premium that longer maturities pay. A 5-rung ladder spanning 1 to 5 years gives you access to cash every 12 months while locking in meaningful rates on each rung. In 2025, 1-year CD rates are running approximately 4.5 to 5.0% and 5-year rates approximately 4.0 to 4.5% at competitive online banks. Each rung that matures gets reinvested into a new 5-year CD, so every year you are capturing the best available 5-year rate without betting everything on a single point in the rate cycle.

1. Foundation

The mechanics of a CD ladder are straightforward: divide your total cash allocation into five equal parts and buy one CD for each maturity—1-year, 2-year, 3-year, 4-year, and 5-year. When the 1-year CD matures at the end of year 1, you reinvest the full proceeds into a new 5-year CD. At the end of year 2, the original 2-year matures and you reinvest into another 5-year CD. After five years of running this system, every rung in the ladder is a 5-year CD, all staggered 12 months apart. The result: you have one CD maturing every year with full access to that tranche of cash, and the rest of the portfolio is earning 5-year rates instead of 1-year rates.

The early withdrawal penalty is the key risk to understand before committing. Traditional bank CDs charge a penalty for withdrawing before the maturity date. Common penalties are 90 to 180 days of interest for terms of 1 to 2 years, and 150 to 365 days of interest for longer terms. At a \$10,000 CD earning 4.5%, a 180-day penalty equals approximately \$221 in forfeited interest. That is a real cost, but it is not catastrophic. The break-even

question is: at what point does the penalty cost exceed the yield advantage of the longer CD versus a shorter alternative? If a 5-year CD pays 4.25% and a 1-year pays 4.75%, you need to hold the 5-year for roughly 3 years before the compounding advantage of the 0.5% higher short-term rate is offset by the 5-year's longer compounding runway. In a declining rate environment where today's 4.75% 1-year rolls to a 3.5% 1-year in 12 months, the 5-year locked at 4.25% wins decisively.

FDIC insurance limits apply per depositor, per bank, per account ownership category. The standard limit is \$250,000 per depositor per bank per account type. A joint account receives \$250,000 per co-owner, effectively \$500,000 per joint account. If your total CD allocation exceeds \$250,000, spread the ladder across two or more FDIC-insured institutions to maintain full coverage. Credit unions are covered by NCUA (National Credit Union Administration) at the same \$250,000 per member per institution limit.

Five-rung ladder construction guide with example dollar amounts, maturity calendar, and reinvestment instructions for each rung over a 5-year rolling horizon.

Rate comparison worksheet that organizes current CD rates from online banks, credit unions, and brokered CDs on Fidelity or Schwab into a consistent APY-per-term grid for side-by-side selection.

No-penalty CD decision guide covering Marcus by Goldman Sachs and Ally Bank no-penalty CDs: typically yielding 0.25 to 0.75% below comparable traditional CDs but offering full liquidity after 6 days (Marcus) or 1 day (Ally), making them appropriate for cash you might need unexpectedly.

2. Step-by-Step System

1

Define the total cash allocation and separate the ladder from your emergency fund

The CD ladder is for cash you will not need for at least 12 months. Your emergency fund (3 to 6 months of expenses) stays in a high-yield savings account or money market fund with same-day access; it does not belong in a CD ladder. After setting that aside, determine the amount available for the ladder. Example: \$50,000 total savings minus \$15,000 emergency fund leaves \$35,000 for the CD ladder. Divide that by 5: \$7,000 per rung. If your total exceeds \$250,000, plan to spread across at least two banks to stay within FDIC limits. For amounts over \$500,000 in a joint account, plan three or more institutions. Write down the exact dollar amount per rung and the five banks or brokerage accounts where you plan to open each CD before you start shopping rates.

2

Shop rates across direct banks, credit unions, and brokered CDs before committing

In 2025, the best CD rates are almost always at online direct banks (Ally, Marcus, Discover, Synchrony, CIT) and credit unions rather than traditional brick-and-mortar banks whose rates often lag by 1 to 2 percentage points. Check DepositAccounts.com or Bankrate.com for current top-rate comparisons updated daily. Brokered CDs available through Fidelity or Schwab are bank CDs sold on the secondary market through the brokerage; they are FDIC-insured like direct bank CDs, offer competitive rates, and settle in 1 to 2 business days, but they typically cannot be cashed out before maturity—you sell them on the secondary market at market price, which may be above or below face value. For the 2025 rate environment, 1-year CD rates at competitive online banks are running approximately 4.5 to 5.0% APY. Five-year rates are approximately 4.0 to 4.5% APY. The gap is narrower than in a normal yield-curve environment, which is why the shorter rungs of the ladder are particularly attractive right now—but this will change when rates normalize.

3

Open CDs at staggered maturities and record every maturity date

Purchase five CDs with maturity dates exactly 12 months apart. If you open the ladder in January 2025: Rung 1 matures January 2026 (1-year CD, approximately 4.75% APY), Rung 2 matures January 2027 (2-year CD, approximately 4.5% APY), Rung 3 matures January 2028 (3-year CD, approximately 4.35% APY), Rung 4 matures January 2029 (4-year CD, approximately 4.2% APY), Rung 5 matures January 2030 (5-year CD, approximately 4.1% APY). Record each CD's bank name, account number, maturity date, APY, initial principal, and expected maturity value in a spreadsheet. Set a calendar reminder 30 to 45 days before each maturity date. Most banks automatically roll a matured CD into a new CD of the same term at the prevailing rate unless you instruct otherwise within the grace period (typically 7 to 10 days). You want to catch the maturity actively to reinvest into a 5-year CD intentionally rather than letting the bank roll it into a new 1-year or 2-year automatically.

4

Reinvest every maturity into a new 5-year CD

This is the core mechanical discipline of the ladder. When Rung 1 (the original 1-year CD) matures in January 2026, take the full proceeds—principal plus interest—and open a new 5-year CD maturing January 2031. Shop rates at that time to find the best 5-year rate available. After 5 years of rolling maturities forward, your entire ladder consists of 5-year CDs staggered 12 months apart, all earning 5-year rates. At that steady state, you have one CD maturing every January delivering cash access, and the rest earning the highest available rate for your target term. The ladder is also self-funding: the interest earned on each rung compounds into the next 5-year CD purchase. A \$7,000 rung at 4.25% for 5 years grows to approximately \$8,631. When that matures and you open a new 5-year, you are investing \$8,631 rather than \$7,000.

5

Evaluate no-penalty CDs for rungs where liquidity uncertainty is high

No-penalty CDs from Marcus by Goldman Sachs and Ally Bank allow early withdrawal of the full balance after a brief initial holding period (7 days at Marcus, 1 day after initial funding at Ally). In exchange, they pay 0.25 to 0.75 percentage points less than comparable traditional CDs. The break-even logic: if a 1-year traditional CD pays 5.0% and a 1-year no-penalty CD pays 4.4%, you sacrifice \$60 per \$10,000 per year for the option to access the money without penalty. If there is genuine uncertainty about whether you will need the cash in the next 12 months—a potential job transition, a home purchase on an uncertain timeline, a family emergency fund supplement—the no-penalty CD is often the right tool for that specific rung. Run the rungs where you are confident about holding to maturity in traditional CDs and use no-penalty CDs only where the liquidity option has real value for you.

6

Calculate break-even for early withdrawal before breaking any CD

Before withdrawing from a CD early, calculate whether the penalty wipes out the yield advantage over the alternative. The formula: Break-even months = (penalty days of interest) / (APY difference between CD and replacement vehicle) x 12. Example: a 3-year CD at 4.35% with a 180-day interest penalty. If you want to break it after 18 months to reinvest at 5.0% (new 1-year rate), the penalty costs 180 days / 365 x 4.35% x principal. On \$10,000, that is approximately \$215. The new 1-year at 5.0% earns \$500 over 12 months. The net advantage of breaking: \$500 minus \$215 = \$285. In this example, breaking the CD is justified. However, if the rate difference were only 0.25% rather than 0.65%, the math reverses. Write down this calculation before breaking any CD so the decision is based on numbers rather than a vague sense that you should do something with rates changing.

3. Key Worksheets & Checklists

These worksheets track your entire ladder in one place so each maturity is handled deliberately rather than on autopilot. The setup table records every rung with enough detail to act on each maturity; the checklist prevents the three most common CD ladder errors; the 30-day tracker gets the entire ladder funded and calendared before the first rate shop window closes.

1. Ladder Setup Worksheet

Total allocation (\$)	Total cash available for ladder after emergency fund is set aside in a HYSA. Divide by 5 to get per-rung amount.
Rung 1 — 1-year CD	Bank: ___ / APY: ___% / Principal: \$___ / Maturity date: ___ / Auto-roll: DISABLED / Calendar reminder set: Y/N
Rung 2 — 2-year CD	Bank: ___ / APY: ___% / Principal: \$___ / Maturity date: ___ / Auto-roll: DISABLED / Calendar reminder set: Y/N
Rung 3 — 3-year CD	Bank: ___ / APY: ___% / Principal: \$___ / Maturity date: ___ / Auto-roll: DISABLED / Calendar reminder set: Y/N
Rung 4 — 4-year CD	Bank: ___ / APY: ___% / Principal: \$___ / Maturity date: ___ / Auto-roll: DISABLED / Calendar reminder set: Y/N
Rung 5 — 5-year CD	Bank: ___ / APY: ___% / Principal: \$___ / Maturity date: ___ / Auto-roll: DISABLED / Calendar reminder set: Y/N
FDIC coverage check	Total per bank confirmed below \$250,000 per account type per depositor. Joint accounts count \$250,000 per co-owner.
Reinvestment rule	When any rung matures, shop for the best available 5-year CD rate and reinvest full principal plus interest within 7 days of maturity.

2. Execution Checklist

- Emergency fund confirmed separate from CD ladder allocation and sitting in a HYSA or money market with same-day access.
- Total allocation divided by 5; per-rung amount calculated and written down before opening any CD.
- Rate comparison completed across at least 3 sources: DepositAccounts.com, direct bank websites, and brokered CDs via Fidelity or Schwab screener.
- Five CDs purchased at 1-year, 2-year, 3-year, 4-year, and 5-year maturities at the best available rates for each term.
- Auto-roll disabled at every bank so maturities are handled actively. Confirmed in writing (email or account settings) for each CD.
- Calendar reminders set 30 to 45 days before each maturity date with note to shop 5-year rates and reinvest.
- FDIC coverage verified: no single bank holds more than \$250,000 in your name per account type.
- Early withdrawal penalty documented for each rung: term length, penalty in days of interest, and equivalent dollar penalty at current principal.

3. 30-Day Ladder Build Tracker

Week	Action	Evidence Complete
Week 1	Calculate total allocation. Confirm emergency fund separation. Research top CD rates at DepositAccounts.com and Fidelity or Schwab brokered CD screener. Identify best rate for each of the 5 terms.	Rate grid completed; 5 target banks or brokerages identified with APY confirmed
Week 2	Open accounts at required banks if not already a customer (online banks typically approve in 1 day). Fund Rungs 1 and 2 (1-year and 2-year CDs). Disable auto-roll for both.	Two CDs confirmed with maturity dates, APYs, and account numbers recorded
Week 3	Fund Rungs 3, 4, and 5 (3-year, 4-year, 5-year CDs). Disable auto-roll for all three. Verify FDIC coverage across all banks.	All 5 rungs funded; auto-roll disabled; FDIC check complete; full ladder visible in spreadsheet

Week	Action	Evidence Complete
Week 4	Set calendar reminders 30 days before each maturity date with reinvestment instructions. Write break-even formula in ladder spreadsheet for reference before any early withdrawal.	5 calendar reminders set; break-even formula saved; ladder spreadsheet complete with all maturity values projected

4. Common Mistakes

Leaving auto-roll enabled and missing the grace period

When a CD matures, most banks automatically roll it into a new CD of the same term at the prevailing rate unless you act during the grace period (typically 7 to 10 days). If you do not intercept the maturity, your \$7,000 1-year CD may automatically roll into another 1-year at whatever rate the bank offers that week—which may be materially below the best available rate at a competing institution. Disable auto-roll at every bank immediately after opening and set a calendar reminder 30 to 45 days before each maturity so you have time to shop and act within the grace period.

Breaking a CD without calculating the break-even first

Early withdrawal feels like accessing your own money, but the penalty can erase months of yield. A 180-day penalty on a 4.5% APY CD costs \$221 per \$10,000. If the rate you are breaking into is only 0.25% higher, you need nearly 6 years of extra return to recover that penalty at the new rate—which makes no sense on a 1-year replacement CD. Always run the break-even formula before breaking any CD: penalty cost divided by annual yield advantage gives you the number of months required to recover the cost at the better rate.

Putting emergency fund money into a CD ladder

Emergency funds need to be accessible within one business day without penalty. A CD ladder is not that. If you need \$8,000 for a car repair in month 7 and your nearest CD maturity is 5 months away, you either pay the early withdrawal penalty or borrow the money. Keep 3 to 6 months of expenses in a HYSA or money market fund that you never include in the ladder calculation.

Ignoring FDIC limits when the total allocation exceeds \$250,000

FDIC insurance covers \$250,000 per depositor per bank per account ownership category. Above that, you are an unsecured creditor of the bank. Bank failures are rare but they happen. If your CD ladder total is \$400,000, you need at least two FDIC-insured banks and must confirm that no single bank holds more than \$250,000 in your name. Spreading across Ally, Marcus, Discover, and Synchrony covers amounts up to \$1 million with full FDIC protection on each institution.

5. Next Steps

Once your five-rung ladder is funded and all calendar reminders are set, the system runs itself. Each maturity brings a decision point: evaluate whether rates have moved enough to change your target term, and if not, roll into a new 5-year CD at the best available rate. Track the total ladder value annually to understand the compound growth and plan for any future goal withdrawals.

- Check [DepositAccounts.com](https://www.depositaccounts.com) or [Bankrate.com](https://www.bankrate.com) monthly for the first 6 months to understand how CD rates move; this builds judgment for your annual reinvestment decisions.
- At each maturity, compare the current 5-year CD rate to the current 1-year CD rate and document the spread. When the 5-year rate drops significantly below the 1-year rate (inverted yield curve), consider shorter rungs temporarily.
- If you have more than \$250,000 total in CDs, verify FDIC coverage annually as balances grow with interest compounding.
- Review no-penalty CD options at Marcus and Ally each January to evaluate whether your liquidity needs have changed and whether any rungs should shift from traditional to no-penalty structure.

- After 5 years of running the ladder, all rungs will be 5-year CDs staggered 12 months apart. At that point, calculate the total annual cash flow from maturities and compare it to your planned spending needs to evaluate whether the ladder size is still right.

[Back to store](#)

Need help? support@wingmanprotocol.com