U.S. Banks Flush with $2 Trillion in Cash

Presented by Greg B. Thomas

An “eye-popping” $2 trillion in cash has been stashed in deposit accounts at U.S. banks since the COVID-19 pandemic first hit the country in January.[1]

This surge of money into banks has no precedent in history.

Several factors have contributed to the cash surge, including $600 billion in government-sponsored loans to small businesses, direct checks to individuals, and expanded unemployment benefits. Additionally, Americans have had fewer options for spending their money while on lockdown.

So, how long will the $2 trillion remain in the bank? That’s uncertain and the subject of much debate.

We do know that individuals rely on banks to keep their money safe from loss or theft, to make payments easily and inexpensively, and to maintain records of financial transactions. In general, however, individuals don’t expect bank accounts to generate much interest income. In fact, the average interest rate for savings accounts is 0.1%.[2,3,4]

What’s worse is that banks are not expected to adjust interest rates any time soon. Simply put, they don’t need the money.[5]

For many, banks play a key role in their personal finances. But sometimes, it’s good to revisit your accounts to see if they still are in line with your situation and goals. If you have any questions about the role of certain accounts, please give us a call. We'd welcome the chance to discuss what strategies may fit your situation.

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Citations.

1 - CNBC.com, June 21, 2020
2 - Federal Reserve Bank of Atlanta, 2020
3 - BankRate.com, May 5, 2020
4 - The Federal Deposit Insurance Corporation (FDIC) insures bank accounts and certificates of deposit up to $250,000 per depositor, per institution, in principal and interest.
5 - CNBC.com, June 21, 2020