TRANSCRIPT

Learning to climb the CD ladder

Richard Carter: Good afternoon, everybody. And thank you for joining us again. My name is Richard Carter. I work in the personal investing division of Fidelity. And my responsibility is for the offerings that you see on our fixed-income platform at fidelity.com. And that includes individual bonds, as well as CDs. And we're going to talk about that today. I'm joined here by Dan Fiandaca. Dan, you work in our capital markets division. Maybe you could just say a few words about what you do every day.

Dan Fiandaca: Yes, Richard. Thank you. I'm on the broker CD underwriting team here at Fidelity. And we work directly with bank issuers to help provide them with funding solutions and also to provide our investors with brokerage CD products, which is what we'll talk about today.

CARTER: Excellent. Thanks, so much. That's great, Dan. Thank you. Okay. So, today's topic, again, is about making your cash work harder for you, using brokerage CDs. You know, in a world of low and sometimes even negative interest rates, we want to show you some of the ways that CDs can help you pick up some incremental yield and do that safely. So, let's move ahead to the agenda. We'll start off -- Dan will take us through a look at the current interest-rate context. Because it's very important to think about that. When you're looking at the CD rates that are available, they are part and parcel of the bigger interest-rate environment we're living in. Then we'll go into brokerage CDs, and really investigate, well, what is a brokerage CD and how does it differ from a bank CD, some of the similarities and differences. And then we'll switch over to a demo, using our CDs inside one of our fairly recent tools, called the Model CD Ladder -- and how that can help structure an approach to investing in CDs. So, without further ado, Dan, could I ask you to kick us off, please, if you wouldn't mind, with a 60,000-foot type look at the interest rates in the US? Where are we right now? And where have we come from? And what do you think that means for our markets here in the CD world?

FIANDACA: Richard, thank you, very much. And thank you, everyone, for having me today. So, if we can take a quick look at the current interest-rate environment. It's important to understand that, of course, we've been on a interesting journey since the beginning of 2020. And as we lay the backdrop for the relationship between brokerage CDs and Treasuries during this tumultuous time period, it's first important to explain not only where we've been but where we are currently. So, what we've laid out on this slide, if I could just kind of walk you through it... Pointing out one data point, the black line. That represents three-month T-bills. And the red line on top represents 10-year

Treasuries. And if we look at the relationship between these and the others, we look at the movement of Treasury yields over the course of time. So, let's take a look back. Starting in 2015, the FOMC embarked on a rate tightening policy via gradual rate hikes and quantitative tightening via balance sheet roll-off. As the US economy performed well, rates continued to rise until the end of 2018. So, as we look at those lines over the course of 2018, we actually see that they narrow. This was characterized by general yield-curve flattening, as the spread between three-month and 10-year Treasuries continued to narrow. The general trend we have observed from 2015 to 2018 changed when we observed curve flatness. And during a period of time, Richard, during the summer of 2019, we observed curve inversion. And I've circled that here. As you can see -- the red line cross over from the black line was. Then during the March of this year, things changed very quickly. Obviously, an emergency rate cut by the FOMC brought short-term rates to nearly zero -- coupled with market responses by the global COVID-19 pandemic really brought Treasuries down substantially, up to 125 to 150 basis points in some areas. This did, however, bring about some relative curve steepness. So, we have that working for us now. And that's where we are today.

CARTER: That's great, Dan. Thanks, so much. So, as you say -- gosh -- if you look to the far right of that chart, you can see how quickly things have changed in

March. And now here we are in April. You know, and as you mentioned, Dan, the coronavirus impact is part of the whole equation here. Maybe we could just also look at the rest of the world. And how has the rest of the developed world fared in their interest-rate structure, given that it wasn't long ago, I remember, that we were talking about negative rates in Japan and Germany. How are things overseas now?

FIANDACA: Sure. Let's take a look at the next slide, Richard. Great question. In this chart, we're comparing US Treasury rates to other developed nations' sovereign debt. We can see that US Treasuries continue to be a favorable market to take advantage of higher yields, when compared to countries such as Japan, France, Germany, where we even continue to see negative rates. Something also too important to mention here is that the Fed has indicated that negative rates in US Treasuries is not something they would support at this point in time. It's not a lever they are willing to pull. Even if you can look at Italy's yield and how far they have drifted above the US, they've also battled the effect of COVID-19. It's really something to observe. But the US Treasuries continue to represent a favorable market.

CARTER: All right, Dan. Thank you. Yeah, I can see those negative rates there for some countries, you know, in the shorter maturities, indeed. All right. So that's that. But for most of our investors, of course, we're looking at a US range of interest rates or interest type of fixed-income options. Perhaps I could ask you now, and to move back to the US. And again, bringing in CDs, how has the CD market held up in the face of this rapidly changing and lower-rate environment that we've just seen in the sovereign debt?

FIANDACA: Another good question, Richard. Let's flip to the next slide and let's start getting into the crux of what this discussion is about. So, it's a fairly detailed slide. But what I want to point out is this. We have the US Treasury curve, indicated in red, and then the CD curve, indicated in blue. And in sections one, two, and three we have different time periods that highlight each of those. So, we've already discussed periods in which we've seen changes in the shape of the US Treasury yield curve. It's important to remember that, throughout economic cycles, where rates can vary quite a bit, CDs have continued to perform well. To highlight the relative performance of CDs on this chart, we can first see in section one, as I mentioned, the outperformance of brokerage CD yields during high-rate environment at the end of 2018 was the backdrop of a strong US economy. Then in section two, as we discussed previously, during the summer of 2019 there was still relative outperformance during the period in which the economy showed signs of slowing and the Treasury yield curve inverted. Now, where are we? Section three. Of course, rates have drifted lower. During March and April, we had the significant effects of COVID-19, as well as FOMC rate cuts. But as banks continued to compete for funding, we saw that the spread between CDs and Treasuries widened to historic levels. And, of course, this is highlighted in section three at the bottom of the chart. It should also be noted that, during this time period, what resulted was adverse market conditions, a quick-changing credit environment, and economic uncertainty that introduced high levels of volatility into corporate debt. And during periods such as this, the benefit of FDIC insurance, along with an added pickup to Treasury yields, rally underlines the strength and stability of the brokerage CD product.

CARTER: Okay, Dan. Thanks. That's a great chart. And as you were saying, you know, you can see in the current period, even though Treasury rates have fallen, there's still quite a large disparity there in the brokerage CD market, that's held up, at least for now. But you've also shown, I think, the historical context, that, by and large, there is that increase in yields available, for a very comparable level of safety with CDs versus, say, Treasuries, in three pretty different environments. So great job. Thank you. If I could ask you now, let's dive a little bit closer into the brokerage CD space. I think many in our audience may be more familiar with buying a CD from a bank and may find it somewhat intriguing that we're kind of talking about CDs now in this more market-driven context, Dan. And as you're showing in these charts -- that there's CDs available, across a yield curve, across different maturities like that. Could you please explain, you know, a little bit more? Let's just start from the beginning. What is a brokerage CD and what makes it similar and different from a bank CD?

FIANDACA: Absolutely. Let's look at some of the basic characteristics here. If you could turn to the next slide, on the left-hand side. Brokerage CD. It is FDIC-insured -- which is eligible for the same level of insurance that a traditional bank CD has. It can be held in a brokerage account, however. Increments are issued in 1,000 increments. And there's no charge for the purchase of a new-issue brokerage CD. So, it carries a lot of the same characteristics that you would have traditionally. However, it can be held in a brokerage account. And, of course, we list a wide variety of brokerage CDs on the Fidelity website.

CARTER: Thank you. That was great. A lot of similarities there, I'm seeing. But in terms of differences, you say up here that a broker CD can be traded or sold like a bond. What other differences would you say are there to be aware of?

FIANDACA: Well, I can tell you that you can purchase a multitude of CDs under one roof, here at Fidelity. And they could be purchased in a brokerage account or an IRA. And with just a few clicks, it's easy as buying a stock or a bond online, as you indicated. Related to the sheer choice, any one point in time you have multiple issuers, meaning that you could have potentially many hundreds, or even millions of dollars invested, by maintaining insurance coverage of up to $250,000 per bank name. You can see from the second table here, from the new-issue CD page on fidelity.com, that we have CDs that will mature as early as one month to 20 years, even. We also offer CDs with different structures, such as callable CDs or coupons that rise over time, such as step-up CDs.

CARTER: Wow. That's interesting. Well, let's come back to some of the structures later. I just wanted to focus back to the issuers. I know it's a little small in this chart, Dan, but if I squint I can just about see they look to be largely banks but not necessarily some of the banks that I recognize day-to-day. Could you just maybe elaborate a bit about these very wide variety of issuers that your desk has managed to attract over the years?

FIANDACA: Sure. We have participants from across the banking spectrum that are active in the brokerage CD market, from large, money-setter banks, such as J.P. Morgan, insured branches of foreign institutions, like Bank of China, who we see listed here, credit card banks, such as American Express and Discover, to issuers associated with investment bank complexes, like Goldman Sachs. Then we run down the gamut to even regional or local community banks, like some of the others that are shown on this slide. Now the focus of these banks can be very different for what they find value in using brokerage CDs for with our business model. For regional and community banks, for example, the ability to attract low-cost deposits, at the national level, and multiple term structures provides them with a great complement to attracting funds outside of their branch footprints. This, among other factors, translates into a very competitive and dynamic marketplace, I must say.

CARTER: Let me just throw one at you here, Dan. What about this Bank of China, for example? Just it sounds like a foreign name. How is that FDIC-insured? And, you know, am I investing dollars there, that type of thing? How does that work?

FIANDACA: Sure. Bank of China is one of handful of local branches of foreign institutions, that are FDIC-insured. This is something, along with Bank of India, State Bank of India, and others, who participate in our market. And, yes, you're investing in US dollars.

CARTER: Interesting. Great. Okay, Dan. Thank you. So I think what you're showing here -- and I can see on the screen-print that this time we were showing a hundred offerings -- at the top of the screen-shot -- hundred different offerings from different names -- different maturities, that, by aggregating these options for investors, whether it's the name or the maturity date, the coupon type, we're hoping to encourage competition. And that competition, hopefully, encourages the issuers to compete, for the benefit of our investors. And that's, I think, hopefully a constant, I think you'd agree. Beyond that, Dan, what would you say or wish to share -- some of the trends that you're currently seeing, in terms of the market? And, you know, what's influencing issuers' willingness to borrow dollars, via the brokerage CD market?

FIANDACA: Sure. Let's turn to the next slide, Richard. Let's look at brokerage CDs a little bit more closely. So, as you mentioned, we're working in a very dynamic marketplace. And the large underlying factor here is that competition for funding has continued to remain fierce. This, of course, helps make the product more attractive to investors. If I talk about comparing 2015 to 2019, we saw a 22 percent increase in unique issuers offered on the Fidelity platform. And we've seen this strong trend continue in the first quarter of 2020, which really helped provide opportunity for investors to maximize their FDIC insurance diversification. Let me give you an example. We recently had some banks enter the brokerage CD market, as other sensitive funding sources became more expensive during the market turmoil that we just experienced. Their ability to access a stable pool of liquidity through Fidelity's platform is something they all find value in.

CARTER: Interesting. Thank you. And so, think of those banks continuing to optimize where they find those deposits. What else would you say is behind the growth in issuer interest in this market, do you think?

FIANDACA: You know, it's multiple factors. I can tell you that -- not only the embedded value that banks find in the flexibility of providing different funding structures but also there's a tremendous shift, in the way customers prefer to interact with their banks digitally. There's competition from alternative cash management vehicles, such as money market funds. And you have new market entrants, such as fintechs, that introduce additional competitive factors that banks are facing today. So, as a result, we're finding that banks continue to work with us to help raise deposits for them.

CARTER: Mm-hmm. All right, Dan. Thank you. Okay. So, let's round this out now with maybe a summary, if you wouldn't mind, about the benefit that translates to foreign investors.

FIANDACA: Sure. Greater competition means more attractive yield for our investors. So high relative yields, two years and in, have certainly attracted investor appetite there. In addition, higher relative yields across the curve are also offering a powerful combination with FDIC insurance. I can tell you that, in addition to a variety of issuers competing for deposits, we have been able to maintain a selection of line items, across multiple tenors, that really divide up the yield curve very well. And this has provided investors with multiple options when choosing maturities and strategies that best fit their needs. So, let me recap. Attractive rates of return, with FDIC insurance, diversification, through multiple names, a consolidated view of holdings within a single brokerage account, and the ability to invest in a variety of tenors, enabling investors to maximize their liquidity needs. Those are just a few components where investors find our product to be attractive.

CARTER: Thanks, Dan. And I think we're going to move into soon a demo of one of our tools, the bond ladder -- CD ladder -- sorry -- tool, that, I think, can take advantage of some of those facets you mentioned. And really fundamental to that is taking advantage of all those different maturity dates -- right? -- and sort of picking your spots to structure a combination of CDs around different maturities. But I did want to ask you, before we go there -- this issue of liquidity. Because, you know, in a conventional CD, if you want to liquidate before the scheduled maturity, it is possible to do that. You may have to pay a fee but can do it. What about in this world, Dan? Maybe you could just explain for a few minutes how people -- if things turn out to be unexpected, how liquidity is available to them.

FIANDACA: Sure. Let's touch briefly on the secondary market. On the next slide, you can see that we offer a robust secondary market for brokerage CDs. Of course, prices can vary, based on various factors. But what's nice to highlight here is that, unlike a traditional bank CD, an owner of a brokerage CD is able to access the secondary market, if they want to exit a position. And conversely, an investor can also purchase CDs in the secondary market in addition to buying new-issue brokerage CDs. So, given that we have seen all of these different attributes from CDs, Richard, what are the different maturity dates? And what helps investors decide what CDs to invest in?

CARTER: Thanks, Dan. Well, I think we can help. Obviously, every investor's needs are different, right? And I think what we'd like to suggest here is an approach that starts with one's look at the cash that you're holding currently, particularly at times like these. I mean, you just explained, Dan, the turmoil we've seen and the fall in interest rates that's resulted. And that's all translated into a lot more cash coming into portfolios, as people have, to some degree, liquidated existing long-term holdings, from a fear or concern for safety, as well as maybe just letting any extra income mount up as cash. But we've also seen lower rates available for deposit rates and savings rates. So that poses something of a dilemma, if you like, of holding too much cash, which is that, you know, while it's very helpful to have a certain amount of liquidity, be it for emergency needs or opportunistic investing opportunities as they arise, there's also the opportunity cost of holding cash that isn't earning you anything, right? So, I think what we are trying to do here -- and I'll move to the next slide, just to illustrate this point -- is that CDs can help in a strategic way, in a portfolio. As you illustrated, Dan, the yield curve has been restored. It's not particularly steep. But there is some steepness. And what this means is that investors can get paid more for committing money to the longer term. And when you offer a range, as we do with our brokerage CDs... There's everything from one-month, two-month, three-month out the way to one year, two years, three years. And it gives the opportunity for the investor to pick their spot, their time spot. And usually, again -- not all the time -- but, as now, most of the time you get paid a little bit extra yield for stepping out into a more distant maturity. So what we're showing here in this slide, in this diagram is that there's a sort of a balancing act, that the customer, the investor can look at their own needs, saying that, you know, cash is very helpful to have, as very liquid form and that really can't be beat, instantly available. At the same time, investors have other goals. You know, there could be a yield goal for total return. There could be an income goal. And by bringing those into consideration, with a time horizon, it's possible to use these CDs, especially the short-term CDs, to think about how you can pick up a little bit extra yield, with cash that really doesn't need to be very liquid at all times, keeping, though, some liquid cash. But with the benefit of these CDs, when you know the timing of the cash flow, whether it's the coupon or the return of principal, that can help also bring structure to your understanding that, even if you don't have, you know, maximum cash right now, you will have cash coming back, in very quantifiable amounts, at a point in time in the future. And so that's the sort of theory that we'd like to put behind this demo we'll now move into of our CD ladder. And so, I'm just going to move now into the fidelity.com. Maybe you could just give me a hint, Dan, when we're there, hopefully you'll start to see this now.

FIANDACA: Looks good, Richard.

CARTER: Yeah? Great. Thank you. Okay. So now we're on fidelity.com home page, that I'm sure many of our viewers and listeners are familiar with. So, first of all, where do we place our CDs? Where can you find them? Go down to here, News & Research, and then go down to Fixed Income, Bonds & CDs. And this is where you'll see our live offerings, both the bonds as well as CDs. And so, if you scroll down this page, we show here our yield table. And one way, actually, you can look at CD rates is through this yield table. And you can see here some of our rates, compared to the Treasuries and other types of bonds. But I want to go across this tab line here, in the middle of the page. And there's one you can see right in the center here, CDs & Ladders. So, if you click that, what we're showing here is a couple of things, firstly, our CD ladders, our Model CD Ladders. And we'll come back to those in a second. If you keep on scrolling, we also show our top rates for CD yields at the moment and, further on down, the live display of what you showed a few seconds ago, Dan, with our screenshot. You can see here some of these different names, just as Dan was illustrating, a very wide variety of names, some of which people are familiar with and some smaller banks you may not be. But we list these names. Again, you can see currently 73 different CDs available, by maturity. But let's go to the Model CD Ladders and teeing off what I was saying a few minutes ago, with this idea of allocating a portion of your cash, that doesn't need to be ultra-liquid, into these different time buckets. And what we've suggested here are these three ladders, on the left the one-year, in the middle a two, and in the right a five-year ladder, where the different bars of these charts represent CDs, with different maturity dates. So, for example, the one-year ladder would have a structure of a 3-month CD, a 6-month CD, a 9-month CD, and a 12-month CD. So, every 3 months, we're suggesting to buy a CD. And then, in the two-year ladder, the interval is 6 months, so 6-month CD, 12-month CD, 18, and so on. And the numbers above the bars are the best rates available for noncallable CDs, that we would suggest constructing with this ladder. And this ladder tool will help you select those. And you can see from this this, you know, the range of yields that are available.

As we were saying, with the yield curve having some steepness -- that in the two-year, for example, you go from a 6-month... Right now, it's actually down to 0.3. It was a bit better last week, Dan, right? And what's happened here? Is some competition going on? Out to 65 basis points or 0.65, for the 24-month. And so, the question for the investor is, "Oh, gosh," you know, "Would I want to put my money in a two-year CD and pick up more yield than the 6-month?" What we suggest, with a ladder, is that you can get the best of both worlds. You can distribute some allocated funds across these different CDs. And then you can see, below the CD, we produce here the average percentage yield of the entire ladder, assuming you invest equally across these four different CDs. So, the average would come out at 0.46. And that's the initial yield. And as we go through this demonstration, we'll show you a way that involves a product that we have called Auto Roll. And that would roll the maturities into the latest maturity date. And, of course, a lot of things can happen in that time. Interest rates can go up and down, you know, by the time you get there. But if you imagine that rates did not change, what it would mean is that over time your ladder would invest every six months, reinvest into the longest-dated security here, the 24-month or the two-year CD. And then you'd pick up the higher rates that are implied here, from the two-year CD. But at the same time, your whole ladder -- (clears his throat) excuse me -- would be giving a maturity or a liquidity event every six months. So that would be a nice way of balancing, again, as we described in that slide a few seconds ago, yield versus predictable income versus liquidity, you know, and sort of that balancing act, having liquidity events and yet picking up better rates, by also investing -- or reinvesting at the longer part of this ladder. So, it's a very handy construct. People may have heard of it in the context of a bond ladder. And so, this is not a new thing, in that regard. It's just, really, simplifying it and meshing the world of the brokerage CDs, that have, that product, those different maturity dates you've created, or you've sourced for us, Dan, you know, into the capability to produce these ladders.

FIANDACA: Yeah, Richard. I can tell you that my team is working very hard to help maximize the opportunity for our investors, when this Auto Roll feature is triggered, to help ensure that they have the best product available for their reinvestment opportunity, as well.

CARTER: That's great. Yeah. In fact, you know, why don't we just, if we're here... For a quick second, I can just show people. As you're saying, Dan, you know, it's a competitive space. Right. Let's pick... I'll go on to a bit further. Let's look at this three-month area here. You can see that, right? There's a number of three-month CDs, you can see here on the far right, actually, just two. There's a four-month, a six-month. You can see how these rates vary. And it really is illustrative of the competitive dynamic, that certain banks will be prepared to pay higher rates at one time than another bank. So, for example, here's two banks, both offering six-month CDs, and one is a higher rate than the other. That's just the reality. So, keep hunting them down for us, Dan. We appreciate it. And, you know, as I say, what we're showing in these models here are the best rates that are available, at this point in time. These numbers are dynamic. We update this page every 15 minutes. So, let's jump right in. And let's just show how easy it is to build one of these ladders. The first question for the investor is, "Which one am I more comfortable with, investing over a one-year horizon, like this, a two-year, or five-year?" I'm going to select the two-year. And all I have to do to start off is to pick this button here. And I'm already logged in, with our test account. And so, you can see, as I think you mentioned, Dan, you can invest either through your brokerage account or a regular IRA. I'm going to select the brokerage account here and go to the next step. And then at this point, it's asking me how much do I want to invest. And so, the little footnote here says it's a $4,000 minimum. Because each CD costs $1,000, as a new-issue CD. And the ladder structure has four rungs. So that means you're going to need 4,000 as a minimum, with increments of $4,000 to continue distributing the funds equally across the rungs. So, you can invest, as you were saying, Dan, with the FDIC insurance, many tens or even hundreds of thousands of dollars. But we'll just keep it fairly modest here. I'll do $20,000. And I'll go Continue. Okay. So now at this point, it's asking me this question, as we were alluding to a second ago. Upon maturity, do you want the maturing positions to be deposited into the account or to be reinvested. And I can sort of hover over these two options here and get some extra education. So, step one or the most common, perhaps, might be this one, just have the maturity principal paying back into the core account. So, you can see here this example. This example is a one-year ladder, where, when the 3-month CD comes due, it would be deposited here into the core cash account. And then you can obviously do what you want with it, as cash. Or the other alternative is this, is to reinvest the maturing principal automatically, by our Auto Roll service. And as I was saying, what that does is automat--ally it'll take the maturing principal as it comes due and then automat--ally make a purchase to the end of the ladder. Right? Because if you imagine, in 3 months' time, every one of these maturities has aged three months. So, the 3-month matures, what was once a 6-month CD now becomes a 3-month CD, the 9-month is a 6-month, and so on. And so, in order to keep the ladder, if you like, rolling or positioned as it was when you originally purchased it, the principal from the maturity needs to be reinvested in another 12-month CD. Because what was once the 12-month is now the 9-month. Right? So, you can see here how this chart shows that reinvestment, in the dark-blue bar at the top. And again, the hope is that most of the time that those longer-dated investments also yield the relatively higher rates that you get from going longer. And yet the whole CD ladder continues, having these liquidity intervals every 3 months, in this case. And in our two-year ladder, it'll be every 6 months. So, let's say I wanted to do that. I just have to select this button here. And then I go to the next step. Now, this point, if you have selected the Auto Roll, there is an Auto Roll agreement. We want to make people aware of how it works. So, there's an agreement here. And we also post this on our website, so at all times people can review this. You also have to -- we ask you to sign up for alerts. And we provide those alerts more as a courtesy. So, as a CD is maturing, it provides you with the heads-up that this is happening. And if you didn't want to continue in the Auto Roll program, it's very easy just to step out of it. So again, this is a two-step sign-up. We're not going to go into the alerts right now, today. But just to show you that there is a chance here to, you know, if you don't like it, go back, and select just the regular maturing. But if you wanted to try this Auto Roll here and then continue, then you get the agreement. You agree to the agreement. And now, if we're lucky... Yeah. Oh, we have a little problem here. We seem to have run out of enough CDs in rung three. So, let me just do a real-time revisit here, so I can go back enough. Let us go back to the beginning and see if that actually is reflected here in our CDs & Ladders, with the gap. Yes. You can see. So, we're out of 18-month right now. Such is the competitive nature, Dan, of this market. You better get off the phone and go hunting. But --

FIANDACA: As soon as I'm off the call.

CARTER: (laughs) let's do the five-year instead. Right. So, I'll do the five-year ladder. And we can just do it quickly, because it's the same process. I'll pick the five-year. And I'll go through the accounts. And I will... Again, actually, the numbers work. I can still put 20,000 in. Because it now means 4,000 per rung. And I will elect the Auto Roll again, continue, agree to the agreement. Hopefully this will work, with a full repertoire. Yeah. Great. Every rung now has allocation. So, we'll just linger on this for a bit. There's a lot of things on this page to show. So, forgive us. But it's trying to provide you a last look, if you like, before you click purchase. What the ladder has done, or the tool has done, it's named the ladder, over here to the left, it's invested the entire 20,000. And it's telling you here the average yield is 0.73. And if you look down these rows or these rungs, you'll see the names of the banks are listed, so here Goldman Sachs. This is the one-year CD, maturing in May of 2021. Sorry. Here's the maturity date column. There's Synchrony Bank, in 2022, another Synchrony Bank in 2023, and so on. And we come down to rung five, which is maturing in 2025, a different bank. And each of them have their rates or their yields, you can see in this column. And as I was saying, at the very top there's this average yield. You also can look at this in a cash-flow view, which is quite nice. You can click this tab here. You can see these bars represent the maturing principal. That's in dark blue. So, there's going to be a maturity in 2021, -22, -23, -24, as we'd expect. And here's the interest that you'd get each of these years. And you can see what happens is the display here is assuming that the ladder matures, even though I know we've selected Auto Roll. But it's not making that assumption at this point. It's just being conservative, saying, over time, as each CD matures, of course, you'll have less interest, until you finally have the last CD maturing. And that will have lower interest in total. Because in year one, of course, you had the benefit of all the five CDs producing interest. And then you have a table view down below. So, you can see there, again, down to the dollars and cents -- I love this -- each month what's going to come to you as income, or principal as well. And you can look at that monthly or annually. Now there's another little feature here, that -- although the tool has some intelligence inside it to look inside the account and not overbuy a particular name -- if you didn't like a name that was suggested, you can actually tweak that. And I'll just show you that very quickly. Let's say, here, we didn't like this rung two, Synchrony Bank, for whatever reason. And maybe, again, you have a deposit account in that name, outside of Fidelity, or other deposits elsewhere. You can see here what other CDs may be available for that rung. And you can see here we have just one other choice, in this case, Goldman Sachs. And all you'd have to do to replace it... Again, it's saying the same quantity, four, four CDs, $4,000. And you can see here, before you buy, interest is slightly lower. It's a 0.6 versus a 0.65. That's why it wasn't chosen initially. But if you had a particular preference, all you have to do is hit that button, the radio button there, hit Replace. And then you'll return to the ladder. And you see now, in rung two, Goldman Sachs here, at 0.6. So, it's very easy to be pretty flexible with it, as well, before you buy. And then to purchase, you just hit Continue. I won't do that. But you hit Continue. And then it'll trade all these four CDs. And, Dan, maybe you'd like to add a word here too. Right. When you hit Continue, this isn't like trading a bond or a stock. As new issues, these CDs may take a few days to actually create. Isn't that right?

FIANDACA: Yeah, that's right. They're in the new-issue process. We go through an order-gathering period and then a period in which it takes time for the CD to settle. So, Richard, you know, please let me know. Can someone change their mind, if they wish to?

CARTER: Yes. In fact, this is for the Auto Roll. I'll stop sharing here, Dan, if I may. And do you see the presentation again?

FIANDACA: I do, yes.

CARTER: Great. Okay. Thank you. So, yes. To your question, let's imagine someone had selected Auto Roll and then had a change of heart. We have a couple of ways you can do that. One is by this method here. We have this dashboard, from our home page. And you'll see the word Ladders. And all you have to do is click that. And it'll produce a view, a dashboard, of your purchased ladders. This obviously shows our test account, with a lot of ladders. People may not have quite so many. But you locate the name. And remember I said the tool generates a name for you? You'll find it. It's basically a time-stamped naming convention. And then you'll see that fact that you had selected Auto Roll. And then there's this checkbox, in area B, that's highlighted. So, all you have to do is to un-select this box and it'll take the ladder off Auto Roll. And if you change your mind again, you can re-check it the next day and it'll accept your recommitment to the program again. However, of course, in between sort of back and forth, you've let a CD mature, then that rung will forever be out of the picture. It can only operate from one maturity to the next. So, it'll understand that, you know, any CD that it can see, if you've selected Auto Roll, it'll be reinvesting. If not, if you un-select this button, it won't reinvest the money. Another way you can actually be reminded that and do it in a more manual way is through the alerts I mentioned. You'll be sent an alert when there's a maturing CD coming about, even though it's going to Auto Roll. So, you can see this alert. It's called Auto Roll, Maturing -- Alert. So, you're getting a heads-up, a reminder that this CUSIP is maturing, we've located another CUSIP, another CD. And then, if you are not happy with that CD, for whatever reason, or you really didn't want the money to be reinvested, all you have to do then is to go to your orders area of fidelity.com, locate the order. And as you were saying, Dan, you know, it's not instant execution. Right? So, you have a few days, probably, to make the cancelation. And then it'll be a way to just return the money from the maturing CD into your account. So. That was hopefully a helpful overview of the CD market and a demonstration of our Model CD Ladder. Let's just summarize, if you would, Dan, for our audience, this webinar today and revise our understanding of how CDs and CD ladders can be used. Do you want to start with the first couple here?

FIANDACA: Sure, of course. You know, brokered CDs, as we've discussed, are a great way to provide, you know, FDIC insurance, with the potential to invest across multiple different issuers. And then as we list here, "Investors should always balance the pros--" and "--cons of liquid instruments such as cash compared to less liquid options, such as our laddered CD strategies, to weigh" in on "the trade-offs."

CARTER: Thanks, Dan. And that's right. And I think that's what we've tried to show with the demonstration here, that the CD ladders are hopefully a simple tool, a pretty easy way to get to that point where you can weigh up the different yield opportunities with different maturity timeframes. And then, you know, finally, the Auto Roll feature that we show there... You can select the Auto Roll feature for a single CD purchase, as well. But actually, by combining it into the ladder, it'll then reinvest at the end of the ladder. And you'll benefit from this balancing act between longer maturities and fairly frequent and predictable liquidity events. And then, just finally, I did want to provide a few other reference points for people to see information, education, and help. Online, we have education pages about CDs and the CD ladders. Those are in our Investment Products area of fidelity.com. In there, you'll see a reference to a couple of videos we have on CDs and CD ladders. Encourage you to look at those. And then over to the right -- we would always welcome your call, as well as your website visits. We have our team of fixed-income specialists. And as you can see there -- the phone number, 800-544-5472 -- and --5372. And they're available Monday through Friday, 8:00 a.m. to 8:00 p.m., Eastern. So, there's a nice chance there. If you want to, you know, talk this over at further detail, we'd encourage you to use that number and give our specialists a call. They'll be very happy to take you through that and our CD offering in general. So, with that, we come to the end of our formal presentation. Thank you, Dan. Great job.

END OF AUDIO FILE

Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Your ability to sell a CD on the secondary market is subject to market conditions. If your CD has a step rate, the interest rate may be higher or lower than prevailing market rates. The initial rate on a step-rate CD is not the yield to maturity. If your CD has a call provision, which many step-rate CDs do, the decision to call the CD is at the issuer's sole discretion. Also, if the issuer calls the CD, you may obtain a less favorable interest rate upon reinvestment of your funds. Fidelity makes no judgment as to the creditworthiness of the issuing institution.

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CD Model Ladders are provided for educational purposes and are not intended to serve as the primary basis for your investment, financial or tax planning decisions. The results of the tool are based on your inputs and criteria and the tool's stated methodology.

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