

SEO Target Keyword(s):

- 1)
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URL Slug: <https://www.pacaso.com/blog/how-to-benefit-from-rising-rates>

For Writer to Complete:

Meta Title (<60 characters): How to Benefit from Rising Interest Rates

Meta Description (<160 characters): Rising interest rates aren't always bad news. Discover four ways to make the most of the higher rates, plus one way to meet your goals, no matter the economy.

References:

- <https://www.bankrate.com/banking/federal-reserve/benefits-of-higher-interest-rates-from-the-federal-reserve/>
- <https://www.cnbc.com/select/interest-rate-hike-pros-cons-how-to-benefit/>
- <https://www.forbes.com/sites/chrisarosa/2022/12/24/yes-you-can-benefit-from-rising-rates-heres-how/?sh=17debe1129b5>

4 ways to benefit from rising interest rates

When inflation is high, it's common for the Federal Reserve to raise interest rates. Of course, there are many more factors than simply inflation that play into their decision, but when inflation makes everyday goods and services more expensive for the average American, rate hikes are a commonly employed tool.

Interest rates were at historic lows leading into and during the COVID-19 pandemic, making it more affordable to buy a home or carry debt. But beginning in 2022, the Fed went in the other direction, and they've made 10 separate [rate hikes](#) between March of 2022 and May of 2023, with increases totaling more than 5%.

While these rate hikes make it more expensive to borrow money for everything from cars to homes, there are a few financial silver linings of rising interest rates. Here are four ways you may be able to benefit from recent rate increases.

1. Higher returns on savings

If you've had a savings or money market account over the course of the last few years, you probably noticed you weren't earning much money on your hard-earned savings. Banks like to make a profit by earning more money on what they lend than what they pay you to keep your money parked in their coffers. That means when interest rates are low, your savings yields are even lower.

The inverse is also usually true: When banks can charge higher interest rates, they also reward their savings customers with higher yields. And it's not just savings accounts. Rates from certificates of deposit (CDs) are beginning to climb back up, making it more appealing than it has been in a number of years to keep your money in these types of accounts.

2. More interest earning opportunities for retirees

The boost in savings account yields is especially beneficial for retired Americans. When you're approaching or already in retirement, it's recommended to not keep much of your money in the stock market, as you don't want market volatility to eat up your nest egg. But when savings yields are low, retirees are unfortunately limited in their earning potential outside of the stock market.

In periods of high interest, retirees who can keep their money in high-interest savings accounts and CDs can stretch their retirement budget a bit further.

3. Easier access to financing

When interest rates are low, banks and other lenders often tighten lending criteria, because they have less incentive to lend money. When rates are high — and lenders can profit more — lending requirements are often relaxed. For individuals with less-than-ideal credit profiles, this can make it easier to qualify for a mortgage, car loan or credit card.

4. Better overseas purchasing power

Typically, higher interest rates strengthen the dollar's exchange rate. That means that when interest rates are high, American travelers often enjoy higher purchasing power overseas. That makes vacationing or owning a second home in places like [Europe](#) or [Mexico](#) more affordable.

Don't put your goals on hold due to interest rates

If your bucket list includes buying a second home in a dream vacation destination, you may feel that higher interest rates have put your goals out of reach. But really, it just means it's time to get creative!

Pacaso puts second homes within reach with an LLC co-ownership model that offers $\frac{1}{8}$ to $\frac{1}{2}$ shares of a luxury property. The costs of maintenance and upkeep are shared equitably with the other owners. Plus, Pacaso has negotiated [competitive-rate financing](#) with its banking partners, so owners can finance up to 70% of the home's purchase price.

Pacaso second homes are available in top vacation destinations like [California Wine Country](#), the [Scottsdale desert](#), the [waterfront in Florida](#) and beautiful [Baja, Mexico](#).