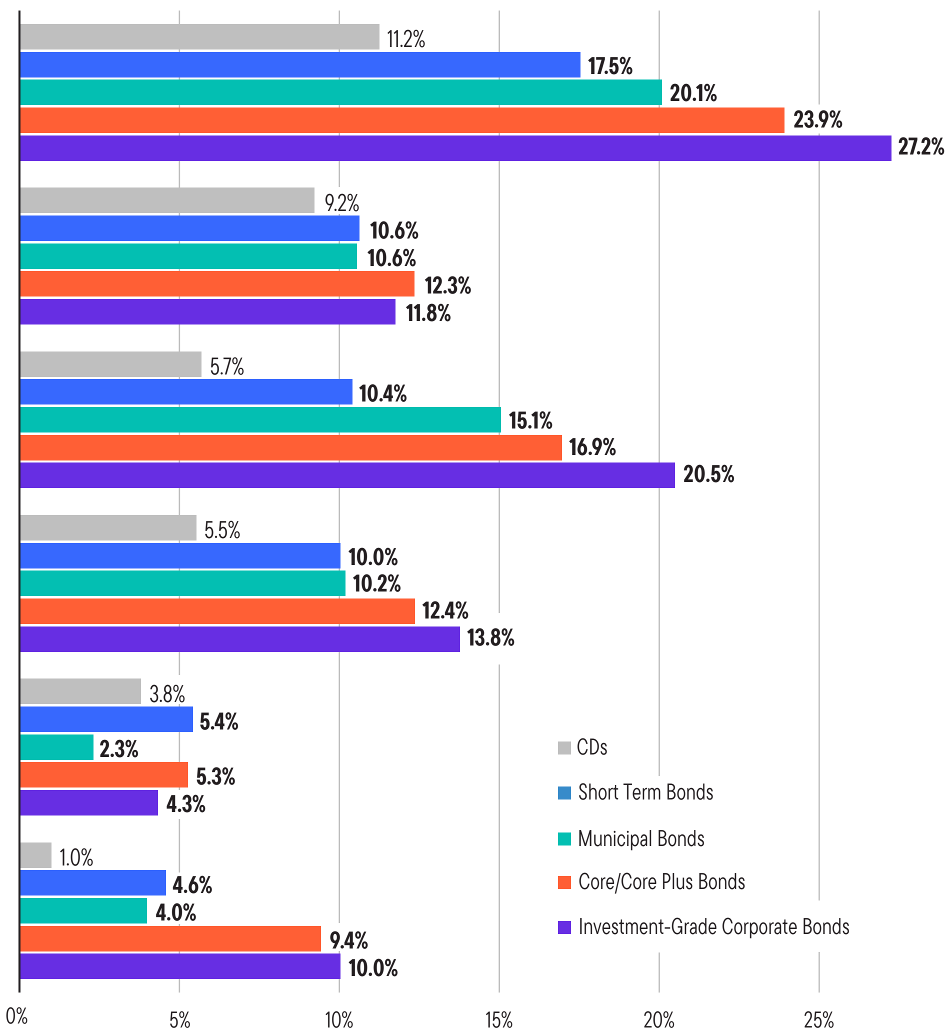
FRANKLIN TEMPLETON

Peak CD Rates Don't Always Result in Peak Performance

Certificate of deposit (CD) rates have risen sharply since early 2022. However, history has shown that CD rates can decline just as rapidly as they rise. In the six cycles that have occurred since 1984, CD rates declined by an average of 28% the year after peaking and significantly underperformed many fixed income sectors. While investing in CDs at peak rates might seem like a sound strategy, it hasn't translated into the best outcome for investors.

Peak CD Rate[1]	CD Rates 1-Yr Later	1-Yr Change
AUG 1984 11.24%	AUG 1985 7.85%	**-30.2%**
APR 1989 9.21%	APR 1990 7.80%	**-15.3%**
FEB 1995 5.69%	FEB 1996 4.58%	**-19.5%**
SEP 2000 5.53%	SEP 2001 3.17%	**-42.7%**
SEP 2006 3.79%	SEP 2007 3.68%	**-2.9%**
JUN 2019 1.00%	JUN 2020 0.40%	**-60.0%**
Average CD Rate Decline One Year From Peak		**-28.4%**

1-Year Returns Following Peak CD Rates[2]



This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton affiliated fund. Past performance does not guarantee future results.

CDs are insured by the Federal Deposit Insurance Corporation for up to the current maximum limit of $250,000 and offer a fixed rate of return.

Adding Bonds for Better Investing Outcomes

For long-term investors, parking cash in CDs comes with several risks:

Reinvestment Risk—There's no guarantee the initially attractive interest rate will be available upon the CD's maturity.

Liquidity Risk—Any money placed in CDs is locked and not readily accessible without paying a stiff penalty.

Purchasing Power Risk—If interest rates and inflation rise, CD investors may lose real purchasing power.

Opportunity Risk—If interest rates fall, the fixed returns of a CD don't provide the potential benefit of capital appreciation available with many bond investments.

Given these risks, an allocation to bonds may produce a better outcome for long-term investors. The table below shows the 1-year growth of an investment in CDs versus other bonds at peak CD rates in the past.

Growth of a $100,000 investment[2]

One-year asset class returns when investing at peak CD rates

1-year periods ended	CDs	Short-Term Bonds	Municipal Bonds	Core/Core-Plus Bonds	Investment-Grade Corporate Bonds
July 31, 1985	$111,240	$117,527	$120,083	$123,913	$127,248
March 31, 1990	$109,210	$110,633	$110,552	$112,339	$111,753
January 31, 1996	$105,690	$110,395	$115,053	$116,947	$120,480
August 31, 2001	$105,530	$110,028	$110,193	$112,354	$113,761
August 31, 2007	$103,790	$105,418	$102,298	$105,261	$104,321
May 31, 2020	$101,000	$104,573	$103,978	$109,415	$110,026

Lowest returning asset class

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

CDs are insured by the Federal Deposit Insurance Corporation for up to the current maximum limit of $250,000 and offer a fixed rate of return. Early termination of CDs carries a penalty, usually the forfeiture of some or all of the interest earned. CDs do not offer the opportunity for capital appreciation.

Because bonds are sensitive to interest rate movements, a bond fund's yield and share price will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in a fund adjust to a rise in interest rates, the fund's share price may decline. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value.

1. Source: Bloomberg, Bankrate. Peak CD rates are defined as the highest national average rate for 1-year CDs following a rise of at least 100 basis points, or 1%, from prior lows.

2. Source: Bloomberg. 1-year returns represent an investment beginning the month CD rates peak and assume reinvestment of any income or capital gain distributions. Bond asset classes are represented by the following indices: Bloomberg 1-3 Year Government/Credit Index (Short-Term Bonds), Bloomberg Municipal Bond Index (Municipal Bonds), Bloomberg US Aggregate Bond Index (Core/Core Plus Bonds) and Bloomberg US Corporate Index (Investment-Grade Corporate Bonds). Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Important data provider notices and terms available at www.franklintempletondatasources.com.

FRANKLIN TEMPLETON

(800) 342-5236
franklintempleton.com

US_RETM_1507108_1407108
CD FL 12/23