

Cash Investing Strategies

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What We Will Cover

- Why invest in cash?
- What's 'cash' as an asset class?
- Strategies to maximize cash investments



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Why Invest in Cash?

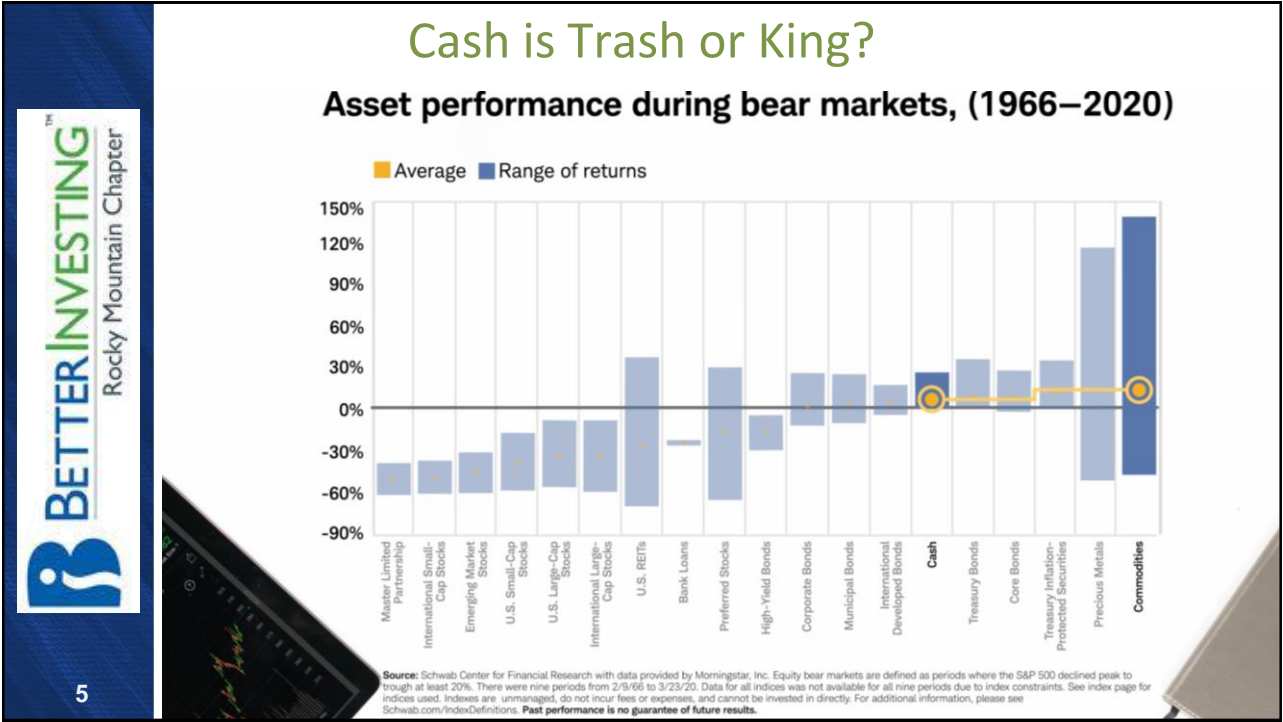
- 1-Most cash investments are considered safe, compared to stocks & bonds due to low volatility.
- 2-Cash is a fiat currency, which is issued and insured by the U.S. government.



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<https://www.betterinvesting.org/chapters/rocky-mountain>

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What's Cash as an Asset Class?

- 1-Treasury Bills
- 2-Certificates of Deposits (CDs)
- 3-Money Market Accounts

Though less liquid than other assets, these tend to pay a higher yield for tying-up your money for a short-time.

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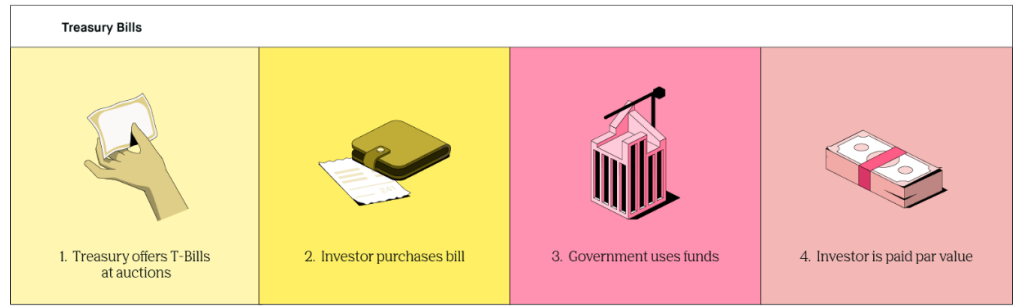
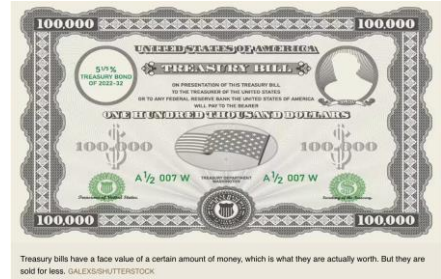
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Treasury Bills (T-Bills)

Short-term (from 4 to 52 weeks) securities issued at a discount rate by the US Treasury, backed by the US Government.

- Goal is to maintain highly stable value.
- A 3-month T-Bill was paying as high as 5.42% in mid-May.



Investors buy at TreasuryDirect site or on secondary market through a bank or broker.

Source: Robinhood Learn

For example: T-bill is purchased at a discount of \$950. Investor redeems 1 year later for \$1,000 and makes a profit of \$50.

Certificate of Deposit (CDs)

A type of bank deposit that offers a fixed rate of return for locking away your money for a set period of time.

-Generally 3 months to 5 years.

-CD's yield is typically higher than T-bills.

-CDs are fully taxable the moment the bank applies earnings to your account, NOT at maturity.

-Majority of top rates can be achieved with at least \$10,000.

CD = Certificate of Deposit
(Not these 3)

HOW IT WORKS

- 1 Put in a lump sum of money
- 2 Wait a specified period of time
- 3 Withdraw your money plus interest!

CreditLoan.com

Money Market Account

It's an interest-earning savings, which offers investors the benefits and features of both a savings and checking account.

-Not to be confused with a Money Market Fund = an investment that is sponsored by an investment fund company.

-FDIC-insured and generally pays higher interest rates than regular savings accounts. Some come with debit cards and limited check-writing privileges.

-Fees and limitations as banks often require a minimum initial deposit and balances must be maintained over a certain threshold while they are active.

T-Bills & CDs Strategy

Let's say you have a big purchase coming up (a house, medical procedure, a trip...) you can plan ahead and purchase a T-bill or CD for 3 or 6 months ahead of the purchase, then collect the yield when you sell.



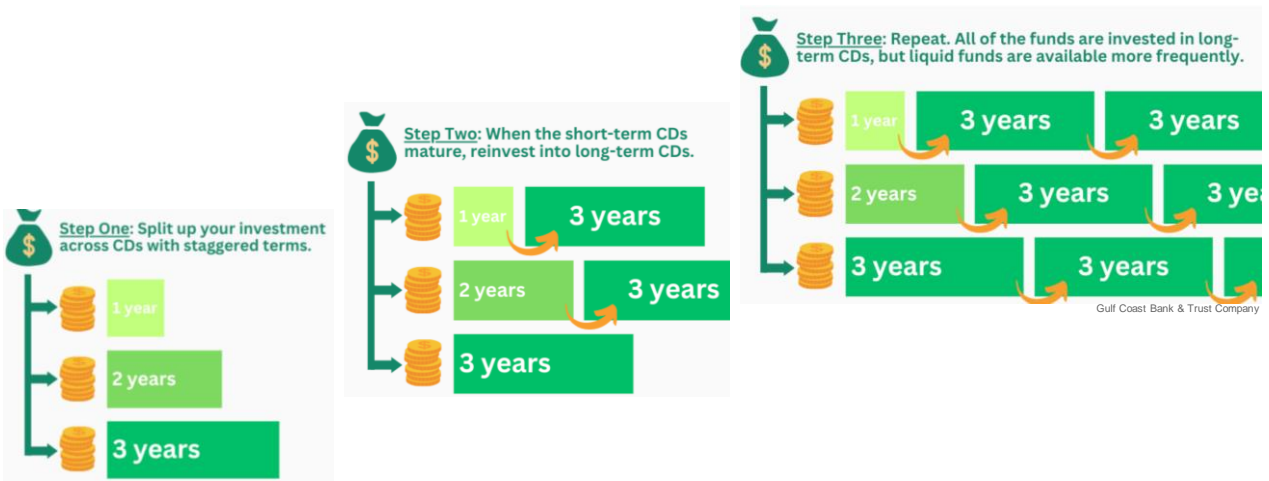
Be mindful of tax implications

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CD Ladder Strategy

Offers the higher rates of a longer term on a shorter-term: a portion of your cash becomes available more frequently, not just once at maturity.



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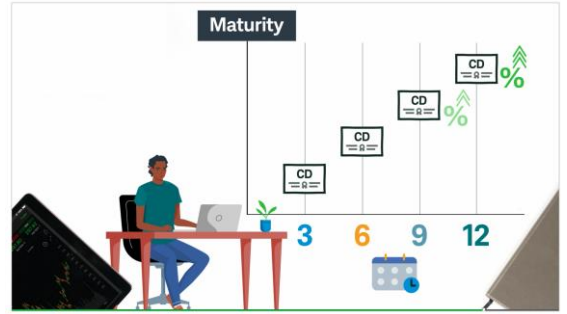
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#2: CD Ladder Strategy (2)

A shorter version: Buy 6-month CDs at the bottom end of the ladder and 2- or 3-year CDs at the top.

Funds become accessible twice a year instead of just once annually, but you would earn top rates available for 2- to 3-year CDs instead of waiting for 5-year rates.

DO NOT let it roll over at maturity at the same institution with the same rate. Shop around find a better rate and start a new CD to maximize profits.



Be mindful of tax implications: CD earnings are taxed when the bank applies them to your account, regardless of when you withdraw your CD funds

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LET'S REVIEW

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	T-Bills	CDs	Money Market Account	High-Yield Savings Account
Lock-up Time	4 weeks to 1 year (52 weeks)	3 months to 5 years *longer term maximizes the yield*	6 to 12 months	None
APY	~5% Variable	~ 5% Fixed	~5 % Variable	~5% Variable
Keep in mind	-Exempt for state & local taxes. -Interest earned is taxable (federally) at date of maturity. -Susceptible to rising interest rates, inflation, and monetary policies such as QE.	-Fully taxable. -Early Withdrawal Penalty (EWP), usually taken from earned interests. -Inflation can eat away at value held at fixed rate. -Fixed rate could cost more if interest rates increase during the term.	-Variable interest rates means that they rise and fall with inflation. -Limited transactions with checking account and check-writing capabilities. -Balances must be maintained over a certain threshold while they are active.	-Can withdraw/ transfer cash out. -Balances must be maintained over a certain threshold while they are active.
Where to buy	-Buy at auction on TreasuryDirect.gov site. -On the secondary market through your bank or broker.	Search for best rates offered by an FDIC-insured bank.	Search for best rates offered by an FDIC-insured bank.	Search for best rates offered by an FDIC-insured bank.

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Information Adapted From

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