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# MAXIMIZE SHORT TERM SAVINGS WITH A MONEY MARKET ACCOUNT

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### **Maximize Short-Term Savings With a Money Market Account**



If you’re looking for a safe, convenient place to store your small business’s cash reserves, a money market account (MMA), otherwise known as a money market deposit account (MMDA), may be right for you.

An MMA is a type of deposit account found at financial institutions that gives you immediate access to your money when you need it, typically pays higher rates than a checking or savings account, and is federally insured. Here’s why it’s a great way to keep your cash reserves growing, and what small businesses should know before opening an account.

#### **Access Your Cash Anytime**

Putting a portion of your excess business funds in the stock market or real estate holdings can be a wise long-term investment strategy – but it’s important to have cash at the ready when needs arise. A business money market account is a less risky option that lets you avoid market volatility and keeps your money liquid when you’re experiencing a temporary drop in revenue or have unexpected expenses.



MMA's allow you to deposit funds quickly and easily, and you can access your funds at any time through teller withdrawals or electronic transfers, as well as via checks or a debit card (similar to a checking account).

### **Earn More**

As the name implies, your earnings are tied to the money market, which is the trade in short-term, high-quality debt investments between financial institutions and the U.S. government. This can help you to earn higher interest than regular accounts. Rates can vary slightly over time and from one financial institution to the next.

If you find an MMA with a good rate of return, you can use it to store revenue earmarked for operating expenses. This allows your operating cash to remain liquid while generating returns, without the risk involved with less stable investments.

### **Protect Your Hard-Earned Funds**

Funds you invest in the stock market are susceptible to the market's highs and lows, potentially bringing considerable gains or a total loss. While business money market account rates are variable, you'll enjoy peace of mind knowing that your funds are federally insured. This makes an MMA an attractive option for small business owners with uncertain income – or even for more risk-tolerant entrepreneurs who want to balance out more venturesome investments and keep some cash on hand.

### **Know the Limits**

When considering a business MMA, find out whether it has a minimum daily balance or monthly maintenance fees. You may need to meet certain requirements to open the account, earn the account's advertised dividend rate, or avoid fees. Many MMA's have minimal requirements, while some jumbo accounts require deposits of \$100,000 or more for access to the highest rates.

Because the primary advantage of a money market account is its accessibility, it's also important to be aware of any transaction limits that might affect how you use it. For years, savings and money market accounts were limited to six transfers or withdrawals (excepting teller and ATM withdrawals) per statement cycle. In the wake of COVID-19, the Federal Reserve eased that rule; however, your financial institution may set a specific transfer limit for its money market account.

### **Investigate the Alternatives**

Several other savings and investment options are worth looking into as well:

- **Savings accounts** can offer competitive interest rates, particularly when account holders maintain a minimum balance.
- **CDs** (certificates of deposit – sometimes known as share certificates at credit unions) are fixed investment instruments with interest rates that vary by term. Like checking and savings accounts, CDs are typically insured, but often have penalties for early withdrawal.
- **Money market mutual funds** are sometimes confused with MMA's. A money market mutual fund invests in multiple short-term securities. They're often considered a high-liquidity, low-risk investment, but they're not FDIC- or NCUA-backed and returns are not guaranteed.
- **Short-term bond ETFs** (exchange-traded funds) invest in bonds with durations of between one and five years. Like any other non-government-backed investment, they are susceptible to potential of loss, but tend to offer more liquidity and less volatility than many other instruments.



**Discover the Possibilities.**

Opening a money market account can be an easy and secure way to earn interest on cash reserves while staying liquid for unplanned expenses. To explore all your options, consult your financial institution.



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**E** [dfeigin@mygenesisbank.com](mailto:dfeigin@mygenesisbank.com) **P** 949.273.1497  
**A** 4675 MacArthur Court, Suite 1600 Newport Beach, CA 92660