Cash is a lot more than simple, folding money

Q: I recently sold all of my investments because of my concern over Brexit. Is my cash safe?

A: Cash is broadly defined. Excluding greenbacks, here's a short summary.

Savings accounts and bank money market accounts are insured by the *Federal Deposit Insurance Corporation* (FDIC) up to $250,000 per account holder. Credit Union money market accounts are insured by the National Credit Union Administration (NCUA) up to the same $250,000 account holder limit. When your account exceeds this limit, open a new account with different ownership and you'll double your insurance coverage.

At a brokerage firm, the limit of SIPC (Securities Investor Protection Corporation) protection is $500,000 with the same $250,000 limit for cash. Most custodians add $149.5 million of supplemental coverage protection for each client to cover custodian insolvency. This doesn't cover a loss in the market value of your securities.

The goal of money market mutual funds is to maintain a constant value at $1. This goal hasn't always been achieved. In 2008, the share price of one fund dropped below a dollar and nearly triggered a panic among institutional investors. As a result, the government set up a temporary guarantee program for money markets and the SEC adopted more stringent regulatory rules.

Fast forward to 2016 - new SEC regulations have been written and will take effect October 14, 2016. Mutual Fund families have been making changes to their money market products to comply.

Institutional money market funds that aren't owned by a "natural person" will be required to have floating values based on daily share prices. Retail money market funds associated with Social Security numbers will maintain a stable $1 share price.

Institutional funds may impose a redemption fee or temporarily halt redemptions if fund liquidity falls below regulatory limits.

If you have questions, answers can be found in the prospectus that details risks, fees, and expenses.

Cash has an inflation risk. Treasuries indexed for inflation don't.

Cash has an over-spending risk. CDs have maturities and are harder to access.

Let's reassess your goals. If you need cash in the next three years keep it in a safer place. Consider short term, high quality bonds or money markets or CDs. If you're saving for retirement, make an investment plan.

Market timing is tempting, but not usually successful.

Mary Baldwin, CFP® is an independent, fee-only financial planner at Baldwin and Associates, located in Indian Harbour Beach, FL. You can contact her at 321-428-4555 or Mary@MEBaldwin.com. Send your financial questions to Business@floridatoday.com.