

Money Market Investments

Reuter Benefits Group Plan Member Newsletter - March 2009

In the current environment of market volatility, some investors are seeking to protect the value of their investments through lower risk market-based investments.

Money Market funds are a low risk market-based investment fund. While returns are not guaranteed, this type of fund is invested primarily in government securities, specifically Treasury Bills and corporate money market instruments that mature in less than 1 year.

In past periods of economic growth the managers of these funds have been able to purchase T-Bills and other securities resulting in a rate of return of between 2-3% per year. However, in the current low interest rate environment, Money Market fund managers are purchasing securities that pay a very low rate of interest, well below 1%.

The net rate of return a member realizes on his or her investment is determined by the gross rate of return minus the fund's investment management fee. While the investment management fee charged on these funds is very low, it could be possible for members to therefore realize a negative rate of return on their money market investments. For example, a gross rate of return of .5 of 1%, minus an investment management fee of 1% would result in a negative .5 of 1% rate of return.

Members seeking an alternative low-risk investment are reminded that Bond Funds are another investment choice available to them. The rate of return of these funds, however, is not guaranteed and may realize a negative return during years of rising interest rates. However, they are suitable for investors with a low to medium tolerance for risk and investing time horizon.

Members requiring a guaranteed return on their investments are reminded of the guaranteed interest account investment option available to them in their group plan.

We encourage plan members to review their portfolio holdings to ensure they have selected the appropriate investment option. Members may contact Reuter Benefits at 1-800-666-0142 or retire@reuterbenefits.on.ca to discuss further.