



LYNN WEALTH MANAGEMENT
RESERVE FUND MANAGEMENT

White Paper #3

An authoritative guide designed to help board members make educated decisions.

Using a Professional to Manage Reserve Funds For Community Associations

Too often, Community Associations spend their time and effort on questions like these:

- Who is on which bank signature card?
- Which CDs are maturing at what banks?
- Are we managing our reserve funds properly?
- Which bank is offering the best CD rates this month?
- Are there other investments we should be considering?
- What should we do with the CD maturing next month?
- Have we exceeded the FDIC insurance limit at any bank?

A professional financial advisor focusing on the needs of community associations can take issues like these off your plate.

The board and advisor should agree on the three priorities for the association's investment assets:

- 1) Preserving assets
- 2) Optimizing liquidity
- 3) Seeking consistent returns

Benefits of using an advisor include:

- Consolidated monthly statements of all investments in a single account
- Check writing and automatic sweep of deposits and interest into money market accounts
- Continuity of investment strategy regardless of board member turnover
- A conservative, consistent approach to reserve fund management

An experienced financial advisor who focuses on community associations can provide disciplined, intelligent and effective management of your assets, freeing you up to focus on the needs of your Association. Instead of working with multiple banks and multiple signature cards, all of your investments can be kept in a single account. The financial advisor can review your reserve study to help proper liquidity and has access to an inventory of CDs from large banks around the Country.

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Securities and advisory services offered through Prospera Financial Services, Inc., Member FINRA, SIPC



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Here are some points to consider:

- Your home is likely the single largest investment you will ever have and its value is directly connected to the financial health of the association.
- A fundamental principle of investing is that risk increases with the rise in potential return. The Community Associations Institute recommends CDs, U.S. Treasury securities and FDIC insured money markets for community associations.
- According to the FDIC, over 550 banks have failed since October 1, 2000. Bank failures create a potential investment risk and administrative costs for associations. Working with a professional can save the board and manager time and frustration.
- Associations use professionals for painting, street repair, and in countless other areas. Doesn't it make sense to use a professional when it comes to managing the funds that will be needed to help protect the value of your home?
- Working with professional can save the board of directors and managing agent time and frustration. Choose a professional with several years' experience in working with community associations and one who is active with the Community Associations Institute (CAI) and the California Association of Community Managers (CACM).

For more information contact us at dave@lynnwm.com

CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum of \$250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable capacity will be aggregated for the purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository. For more information visit the FDIC website at www.fdic.gov.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

The views expressed herein are those of the author and are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.

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