

Prime Money Market Alert

Your clients are likely all invested in money market funds provided by their custodial banks. Many of these are known as “Prime Money Market Funds.” As outlined below, we urge you to quickly consider moving them to a safer option:

- European risks are intensifying and contagion is spreading beyond Greece to Spain, Italy, Portugal and Ireland.
- This contagion means more bad news for an already stressed European financial sector.
- Prime money market funds are heavy investors in European financials (some hold up to 50% of assets). The average yield on an institutional prime money market fund is 0.14%, while the average yield on an institutional government money market fund is 0.04%.
- The “cost” of insurance against substantial disruptions in the cash markets is a mere 0.10%. We cannot predict the ultimate outcome of the European crisis, though we do know the risk far exceeds the reward for a cash investment.
- We immediately recommend swapping your clients’ cash assets out of prime money market funds and into safer alternatives. At the very least, ask your prime money market provider to quantify exposure to Europe so you can make an educated decision on what money market alternative is right for you and your clients.

As always, if you have any questions or desire additional information, please don’t hesitate to contact me.

Thanks,
Kurt



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