

# TO: APA California Chapter Board

# FROM: Derek Wong, VP Administration

#  Sande George, Executive Director

**DATE: January 22, 2021**

**SUBJECT: Cash Reserve Account**

## Recommended Action:

*Move to approve opening of a cash reserve account through American Funds “30 Day Interest Yield Short Term Bond Fund Class A.”*

## Background:

The Chapter’s reserve funds are currently invested in the American Funds Income Fund of America Class A (AMECX). The account is fairly conservative with exposure to both stocks and bonds, and could result in both gains and losses in the fund. In 2020, the fund delivered positive returns for the Chapter (13.51%), mirroring the general movement of the financial markets.

Currently, the Chapter has two financial accounts, the American Fund reserve fund and a Bank of America checking account. A new intermediate cash account with American Funds is proposed as a fund that provides greater safety from market fluctuations than the current reserve account, but can generate more interest earnings than the checking account. For example, the 30 Day Interest Yield Short Term Bond Fund Class A (ASBAX) suggested by the financial advisor generated a return of 3.41% at the end of 2020 versus less than .05% for checking. The new account could hold earnings from the reserve account should the market experience drops, as well as serve as a liquid account between the checking and the reserve fund.

The 30 Day Interest Yield Short Term Bond Fund Class A (ASBAX): There is a minimal fee to buy into this fund, but its return is currently 3.41%.  This fund can go negative, but it has only done that one year during the recession.  In recent years the lowest the return was 2.94%. This is safer than our already very safe American Fund, but it won’t get the same return either. There is also no penalty on this one for withdrawals at any time. These are mostly Treasury bond funds.

## Fiscal Impact:

No fiscal impact.