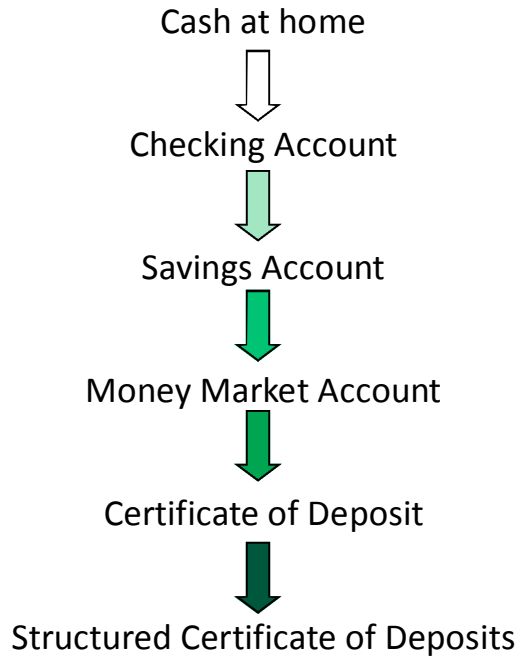


Where to Stash Your CASH !

See inside for more details on each item



Water's Edge Financial, LLC
Timothy E. Holman
2411 Norcrest Dr
Muskegon, MI 49441

Phone: 231.780.3455 / 877.780.3455
E-mail: tholman@gareppleinvestments.com

Water's Edge Financial, LLC
Timothy E. Holman
2411 Norcrest Dr.
Muskegon, MI 49441



WATER'S EDGE FINANCIAL

Timothy E. Holman
Financial Coordinator



Financial Focus

Issue 2



What's in your
tool box?



Securities and Investment Advice offered through
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Hot Springs, AR 71901 (501) 623-1141 ext #203

Toolbox?

In the last issue, I introduced my toolbox series and discussed the purpose of taking measurements using the analogy of a tape measure. In this issue, I want to discuss another common tool—a clamp—or in Financial terms storing your cash. Most financial advisors



Clamp?

(including me) will encourage you to not only have an emergency fund, but also to have 3 to 6 months of *expenses* set aside in case of the unexpected (job loss, medical issues, etc) to bridge the gap so that you do not find yourself having to go into debt

(or worse) to survive. But, where do you keep this cash? I view storing your cash kind of like a clamp. You want to be able to tighten it down and keep it safe while still having some ability to get access. However you don't want it so easily available that the local pizza delivery man will end up with it when he arrives at the door!

There are a variety of places to clamp your cash down; following are the most common. Please make sure this cash is FDIC insured in any deposit accounts. (See note at the end).

Under your mattress: While it may be prudent to have *some* emergency cash on hand at home, I don't recommend this for large sums of money. Not only is your money not making any money, it may not be safe.

I would definitely find a place other than the mattress, and a place that is environmentally sound as well!!!

A colleague's client literally put money in a jar and buried it in his yard! Apparently the container was not sealed well and moisture got in. It ruined most of the bills in the jar and apparently FDIC does not cover it! (Imagine that!)

Deposit Accounts

Checking Account: They allow easy access to your money, and some offer interest. You usually have access by writing a check, visiting a local branch or using an ATM card. The downside may be that the money is too readily available and you may use it for more than just emergencies. That is not good for true savings. (But I really needed that digitally remade DVD of Star Wars—it was an emergency!)



How liquid is your cash?

Savings Account: A nice way to save money in a financial institution while putting some distance between you and the money. Typically you are earning interest for exchange of leaving your funds on deposit at the bank. To get access to the funds you may need to visit a local branch or use an ATM machine versus writing a check.

You could put more distance between you and the money by not getting an ATM card which would force you to go to a local branch to get to the money.

Certificates of Deposit: Very similar to a savings account as it is a deposit at a financial institution. The difference is that CD's typically have a fixed duration (6, 9, 12, 18, 24, 36 etc months) and also a fixed interest rate. It is intended that CD's are held until maturity or you may have penalties for withdrawal and may forfeit your interest.

Money Market Account: This is a deposit account at a bank that usually offers a higher rate of interest and check writing capabilities. There are typically limits on the amount of transactions and minimum balances.

Investment Products**

Money Market Fund: Typically will provide a higher rate of interest than a checking or savings account, similar to a Money Market Account. This is actually a kind of mutual fund and investors receive shares in the company which is probably buying some form of commercial paper or T-Bills. This is typically held within an investment or brokerage account versus a deposit at a bank and is not FDIC insured.

Structured CD's (principal protected): Similar to CD's with fixed duration, but the interest is *variable* as it is based on an underlying asset such as an equity, index, foreign exchange, commodity or some combination. You may earn more (or less) interest than a typical CD, while maintaining principle protection, but it is more complicated to understand, and there are more risks. These risks include limited rights to withdraw funds prior to maturity; liquidity risk; the risk that selling on the secondary market, if available could result in loss of principal; FDIC coverage may be limited to the principal amount only. There are also fees associated with structured CD's. This can however, be a nice way to diversify as long as you understand the tool.

What is FDIC Insurance?

The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by currently insuring deposits in banks and thrift institutions up to \$250,000 (through 12/31/2009, normal coverage is \$100,000); by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure. For more information, visit: www.fdic.gov
Source: www.fdic.gov

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***Investment Products are not FDIC insured and are offered by prospectus only. Please review the specific product to ensure it meets your risk tolerances and goals.*