

YOUR MONEY

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Finding the Best Place to Park Your Money

Q. One of my GICs just came due and I am thinking about investing the proceeds in the equity markets. I'm not sure what I want to do just yet, so I am looking for some type of short-term product that can generate a bit of interest while I'm in limbo. Can you make any suggestions? I am looking for something very safe but I don't want to get locked into another GIC.

A. I'm pleased that you want to make sure your money is working for you – even if it's only for a brief period. Too often I see people with cash sitting in either a traditional bank account or a money market mutual fund. Traditional bank accounts simply don't pay enough interest and, once management fees have been factored into the equation, money market mutual funds cost too much. Either way, there isn't enough bang for the buck.

People who let their cash sit in a bank account, without generating any interest, are lending it to the bank for free. Why would they do that? I'm willing to bet they can't remember the last time their banker said, "Say, we'd like to loan you some money and we aren't going to charge any interest". In the case of money market mutual funds, people often pay more in management fees than they gain in returns.

So how should you get your money to work for you? Given the current low rates in bonds and money market products, I suggest you take a look at investing in a high-interest savings account.

I use high-interest savings accounts quite frequently as it allows my clients to earn a decent rate of return on the secure portion of their portfolios *without locking up their money*. Easy access to your cash should be a pivotal part of your investment planning and you do not want to be 'locked in' for the wrong reasons. In your case this is especially important as you plan on using the funds in the near future.

There are a number of different high-interest savings accounts available and, for the most part, they are similar. While I can't comment on all of the products, most do not charge any account fees, service charges, or transaction costs. This means that, unlike money market mutual funds, there are no management fees!

The high-interest savings accounts also offer fast and easy redemption with full interest, and are eligible for RRSP and RRIF accounts. As an added benefit, they offer security because they are Canada Deposit Insurance Corporation (CDIC) insured to \$100,000.

Regardless of which high-interest savings accounts you may consider, you will need to take a hard look at the various options. This is where professional advice might be needed, as it is easy for the average investor to become confused or overwhelmed by them. Choosing the right options has particular importance when conservative funds are at stake.

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