How SEC Money Market Reform Can Freeze Your Retirement

Anthony Allen Anderson

How Money Market Reform Can Freeze Your Retirement Funds

The SEC Money Market Reform is an example of how good intentions can lead to potentially disastrous results.

It all began with the financial crisis of 2008. The Reserve Primary Fund, a large fund manager in New York, was forced to reduce its net asset value (NAV) of money market funds due to failed short-term loans by Lehman Brothers. This caused a panic among institutional investors followed by a mass withdrawal of funds. Within 24 hours, Reserve Primary Fund lost two thirds of its total assets, prompting it to immediately close its doors for good.

In 2014, six years after the financial crisis, the SEC came up with a noble idea: implement new rules to make money market funds more stable and resilient. This idea may have buttressed the money market fund *system*, but it also put individual investors in a more precarious position. How so? Consider the following points:

1) Instead of guaranteeing a fixed net asset value of $1 per share, the new rules allow the value to float.

Problem: *the value of the principal investment will also "float,"* a market risk that had never before existed in money markets. This, in effect, turns your investment–once fixed and guaranteed–into a speculative instrument.

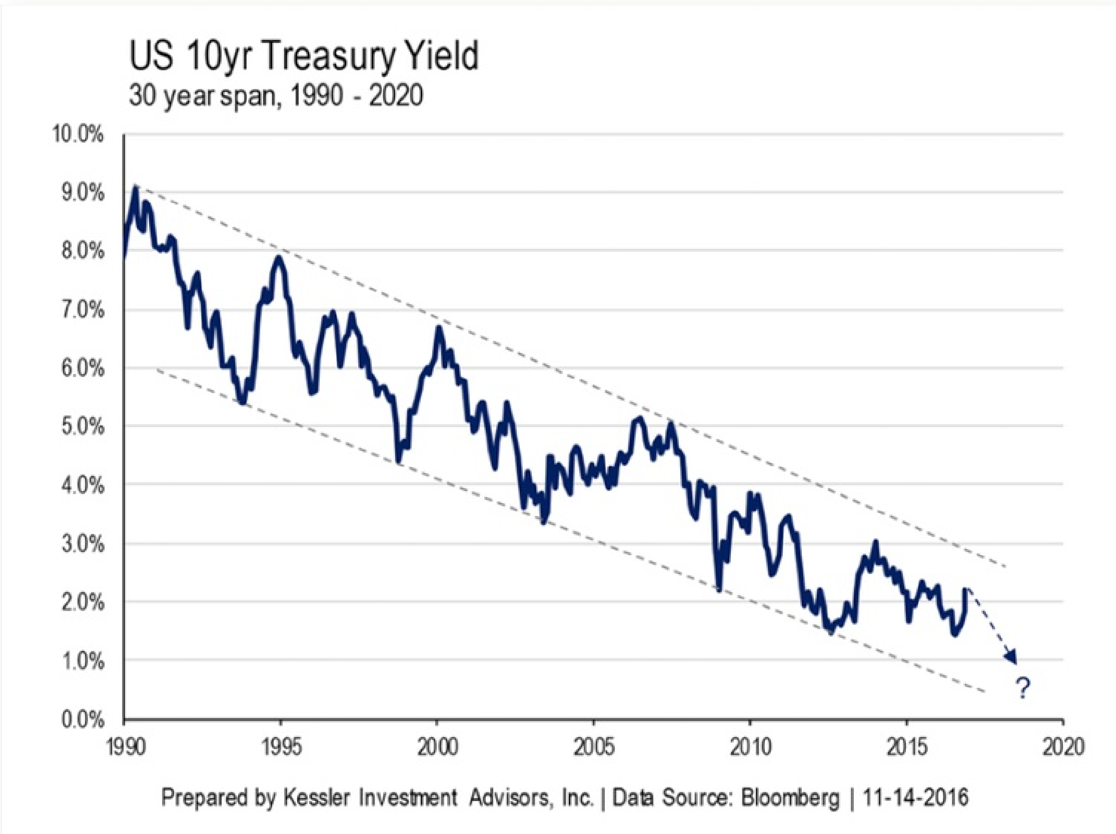
2) If a fund's liquid assets fall a certain amount below its total assets in a given week, funds will be charged fees up to 2% to stabilize the fund's liquidity–fees that will most likely be passed on to account holders.

Problem: You may end up paying additional fees multiple times for a situation over which you have little to no control. And considering the low yields you'd already be receiving from these funds, any *fees would greatly erode the value of your investment*.

3) Suspend fund redemptions for up to 10 business days to prevent a run on funds.

Problem: You may be *unable to immediately withdraw your balance* at a time when you need it the most.

Because most custodial firms don't want to risk having their clients pay liquidity fees or experience redemption suspensions, many of them are moving their clients' over to government bonds. The logic behind this move is that your returns may underperform other assets, but the safety of your funds are more or less guaranteed. Not so fast! All you have to do is take a look at the US government's humongous $20 trillion debt, and that "logic" quickly becomes a "myth."



How Money Market Reform Can Freeze Your Retirement Funds

There was a time, not long ago, when an IRA 401(k) meant a safe haven and sound money investment. Obviously, things have changed. But despite the bad news, you can still protect wealth by learning to make smarter moves. And we are here to help.

Sign up for our FREE Ultimate IRA Guide and learn how you better invest your wealth and protect your financial assets.

Popular Gold & Silver for Retirement Accounts

Call 800-474-9159 for more details.