

ASK THE ADVISERS

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.



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Safest Place for Your Money

On Friday morning, March 10th, 2023, a client of mine, who happens to be the CFO of a startup tech company, called me for advice. His company had over \$10 million with SVP bank in its operating account. SVP had recently disclosed its US Treasury bond portfolio had suffered significant losses.

He asked me what he should do. I told him to transfer the funds.

Unfortunately, many other SVP customers were getting the same advice, which created a run on the bank causing regulators to shut down the bank a few hours later, before my client could change banks.

My client was extremely anxious over the weekend but by Sunday night he was relieved to learn the FDIC would be fully protecting all depositors. By making the determination that the bank's failure created a systematic risk to the economy, the FDIC was able to insure all deposits even those exceeding \$250,000.

Catastrophe was averted for now. Nevertheless, confidence in banks has been undermined. Regional Bank stocks were especially hammered on Monday. The perception is that only the four biggest US banks are "too big to fail." The reality is all banks have investment losses in their portfolios, however only two so far

have had mini runs on the bank which caused a liquidity crisis which led to their shut down.

When you put your money in the bank you are essentially lending the bank money with the hope they will manage your money prudently enough to pay you interest and your principal back when you need it. Banks will either invest or lend your money and as we have just witnessed, sometimes those investments lose money, which could adversely affect the bank's continued viability.

Three weeks ago, in an interview with CNBC, I stated that buying short-term treasuries was not only much safer than putting money in the bank, but it also pays more interest. We buy treasuries for clients at brokerage firms like Charles Schwab, because unlike bank deposits, investments such as stocks and bonds are segregated when held at brokerage firms and are not subject to the claims of creditors of the brokerage firm. That means even if Charles Schwab goes out of business their customers can simply move their securities to another brokerage firm.

For maximum safety and the highest yield on cash deposits, we recommend setting up a brokerage account at a reputable brokerage firm, purchasing a laddered portfolio of short-term treasuries, and creating a link to your bank account to allow for instant transfers to and from your bank account and your brokerage account.

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