

# Managing cash, sans the fridge

My parents used to keep cash in our freezer.

There, I said it. I'm a little embarrassed, but I feel better after the admission. They kept money in the bank, too, but I'll never forget the family joke about having "cold cash."

Fortunately for my parents — and everyone else — there are many options today for cash management, and none involves household appliances.

Three cash management considerations I learned about at last month's Three Rivers Entrepreneur Network presentation are Treasury bills, sweep accounts and investment policies.

Small-business owners were the primary audience for the presentations, but some of the information applies to all of us.

Treasury bills, or T-bills, are basically an investment in your country. As you might have guessed, they're issued by the U.S. Treasury Department, and are done so at a discount from their face value, so you might pay \$990 for a \$1,000 T-bill, but when it matures, you'd be paid its face value, \$1,000. The difference between the face value and purchase price is the interest earned; the interest is determined by the discount rate that's set at the time a T-bill is auctioned and reflects market conditions and the length of time before the T-bill matures.

You may be thinking that T-bills sound similar to U.S. savings bonds — and they are, kind of. But T-bills are issued in four, 13, 26 and 52-week terms. Savings bonds, on the other hand, have a minimum term of one year and there's a penalty if they're cashed before five years. There are other differences, but let's turn back to T-bills.

According to Rita Van Schoiack, a Baker Boyer Bank investment broker who spoke at the TREN meeting, "Treasury bills are the safest investment in the universe."

I was intrigued by her statement and the fact that I can purchase them online, so I visited [www.treasurydirect.gov](http://www.treasurydirect.gov) and, sure enough, I found everything I ever wanted to know about T-bills — and lots of other investment options. Small businesses, which may have less expendable cash than other businesses, may see this as a good way to diversify their portfolios. It's worth

checking out, but keep in mind that I'm not a financial expert, so don't misconstrue interesting information as advice.

The second option I wanted to share information about is a "sweep" account. I found a basic definition of it at [www.investopedia.com](http://www.investopedia.com) — another great resource Van Schoiack mentioned during her presentation. A sweep account is "a bank account that, at the close of each business day, automatically transfers amounts that exceed (or fall short of) a certain level into a higher interest earning investment option." The money is swept automatically, usually into money market funds.

The advantage of a sweep account is the ability to earn more interest on your money. Most checking accounts, for example, accrue minimal interest, if any. With a sweep account, for example, you set a threshold that you want to keep in your checking account and ask the bank to automatically sweep money above that amount into an investment that has a higher interest rate.

Van Schoiack gave an illustration of how a small percentage of interest adds more money to your pocket. For instance, one day of 2 percent interest on \$100,000 equals \$5.60. This amount times 30 days equals \$168 and \$5.60 times 365 days equals \$2,044.

Now that I've mentioned a couple of alternative investments, it's a good time for me to introduce the third, and perhaps most important, topic: investment policies.

Investment policies are written statements that detail delegation of investment authority, authorized investment institutions and allowable investments.

I liken it to a will for some of your money, while you're still alive.

Van Schoiack said these policies can be simple or elaborate — it depends on how specific you want to be.

For example, a policy might read, "So-and-so can invest up to \$200,000 of my money into only Treasury bills." Or "The following delegates are authorized to invest money according to Washington state law on ..."

If you're interested in seeing more of the presentations given by Van Schoiack or Karen Lyle of Baker Boyer Bank, visit [www.pnl.gov/edo/events/event.asp?id=69](http://www.pnl.gov/edo/events/event.asp?id=69).



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