Video Transcript: Important Considerations for Cash Before Interest Rate Cuts

Hi, I'm Tom Cochran, a portfolio manager with Regions Private Wealth Management. I'd like to talk about returns investors are receiving on cash and how this could change.

In March 2022, as the Fed began raising rates to combat inflation, investors began flocking to money market funds, CDs, and short-term treasuries to take advantage of higher yields.

For many investors, these large allocations to cash may not match their intermediate and long-term goals. Importantly, this environment may soon begin to shift.

Chief Economist Richard Moody expects the Fed to cut interest rates three times this year. This would quickly decrease returns earned on cash.

I have three key questions to consider if you are currently holding large sums of cash.

First [pause] "What is the purpose of this cash?"

If the cash is for a near-term expense, then it is prudent to leave it in a short term, liquid investment.

However, any amount of cash in excess of those goals should be considered for investment to better reach both intermediate and long-term goals.

Second [pause] "How does this cash impact your overall financial plan and the likelihood that you will accomplish your goals?"

We recommend a planning focused conversation with your wealth team to address three relevant questions [pause] –

1. Where are you today from a financial standpoint?
2. Are you on track to reach your goals?
3. And, what adjustments need to be made to ensure success?

We will help you identify your priorities, including the most appropriate way to deploy any excess cash.

Additionally, this planning process provides confidence that you will accomplish your goals.

Finally [pause] "When is it prudent to consider investing in a total return, actively managed bond strategy?"

The time is now. Research shows that future returns in bonds are better when you extend duration before the Fed decreases interest rates.

This strategy locks in higher yields for longer before the Fed moves.

Additionally, bond prices increase as interest rates decrease.

Moving from cash to an actively managed bond strategy can both increase the future interest you receive and create price appreciation of the bonds as interest rates decline.

If you are holding excess cash outside of short-term needs, we encourage you to connect with your Regions Wealth team.

We would be honored to guide you through this process to ensure you are on track to meeting your goals.