

What to Expect From Your Investment Provider

October 12, 2023

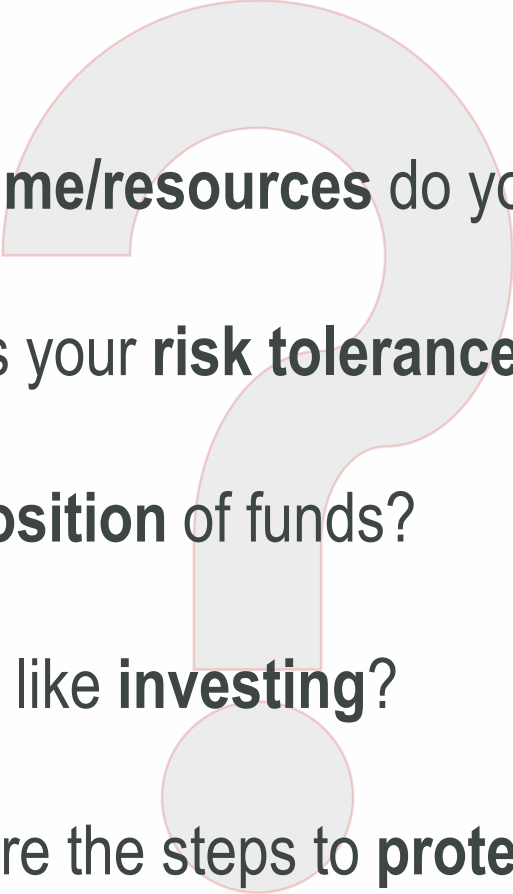


Conversation Items



- Love them or hate them – Investment Providers
- Who are they
- What to know and/or ask
- Expectations and communication

Questions to Consider Before Choosing a Provider

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- What **time/resources** do you have?
 - What is your **risk tolerance**?
 - **Composition** of funds?
 - Do you like **investing**?
 - What are the steps to **protect monies**?

Who are the Investment Providers?



- Local Banks
- Brokers
- Investment Advisors

Local Banks

Investments offered	Deposit accounts, CDARs, sometimes marketable securities
Regulatory	Bank regulations, ORC Depository requirements, SEC, FINRA
Transaction type	Non-discretionary/Discretionary
Standards	Suitability or Fiduciary
Fees	Depends on product (Earnings credit, commission, flat fee, AUM fee)

Brokers

Investments offered	Marketable securities (Brokered CD's, US Treasuries and Agencies, Commercial Paper, Municipals)
Regulatory	FINRA
Transaction Type	Non-Discretionary
Standards	Suitability
Fees	Commission/Markup

Investment Advisors

Investments offered	Marketable securities (Brokered CD's, US Treasuries and Agencies, Commercial Paper, Municipals)
Regulatory	SEC
Transaction Type	Discretionary/Non-discretionary
Standards	Fiduciary
Fees	AUM (assets under management) or flat fee

Paying for the Service

Commission/Markup Based Fee

- Transaction based
- Not disclosed

AUM Fee

- Advisory agreement
- Fees determined in advance

Simple Example:

Purchase \$500,000 of Two-Year Agency

- Broker owns in inventory at \$499,500
- Broker sells to you at \$500,000
- Commission is \$500

Simple Example:

\$5,000,000 investment portfolio

- Annual management fee is 10 basis points or 0.10%
- Annual fee is \$5,000

Do Your Research!



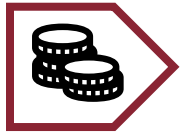
- SEC website – research registered advisors & advisory firms
 - <https://adviserinfo.sec.gov/>
- FINRA website – research registered brokers & brokerage firms
 - <https://brokercheck.finra.org/>
- Ask your peers!



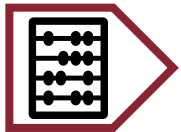
Investment Reporting



Timing of Reports



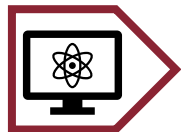
Cost basis/Market value



Help with Balancing – understand investment reporting
(Interest payments, accrued interest & premiums)



Appropriate measurements

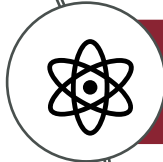


Information to Board/Council/Committees

Ongoing Communication



How often are you communicating? Set expectations



Changing cash flows, funding, & board/council makeup



Review statements regularly for compliance



Have provider attend Board/Finance committee meetings



Get your CPIM and stay informed!

Where to Find More Information?

National GFOA Best Practices

Learn more on investment advisors

- [_https://www.gfoa.org/materials/selection-and-review-of-investment-advisors](https://www.gfoa.org/materials/selection-and-review-of-investment-advisors)

Learn more on brokers

- [_https://www.gfoa.org/materials/government-relationships-with-securities-dealers](https://www.gfoa.org/materials/government-relationships-with-securities-dealers)

Thank You!

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