Money Market Funds

Usually the rate of interest paid by money market funds is several percent higher than passbook savings accounts of various kinds or even one or two year certificates of deposit. The interest is computed and credited daily to your account so it compounds at the maximum rate. The interest paid to your account will vary from day to day and month to month because the short-term interest rates change daily. This is different from savings accounts and certificates of deposit which have fixed interest rates. The total number of dollars you invest in the fund in the same. It is only the amount of interest earned that will vary. If you invest $1,000 in a money market fund, it will always be there to withdraw along with the interest it has earned.

There are no penalties for withdrawing money market fund account. You can withdraw your money without loss of interest, at any time. In fact, many money market funds include check writing privileges. Checks usually must be for $500 or more.

Most money market mutual funds require a minimum initial investment of $100, although a few require only $50 to $500. There is also a minimum amount the investor may add to the account after it has been established. Some accounts require additional investments in amounts of less than $25, others a minimum of $100. Usually there is no sales fee or charge for investing in this type of fund.

Although they are not insured like a bank account, there is very little risk investing in money market funds. It is suggested you buy a fund that has an established history. Money market funds, like other securities, are regulated by the Federal Securities and Exchange Commission.

Also, you purchase money market funds directly from the company. Many stock brokerage firms have their own. There are over 100 money market mutual funds. A free list of names and addresses is available from Investment Company Institute, 1775 K Street N.W., Washington, D.C. 20006. Most have toll-free numbers. If you call or write a company, they will send you a prospectus describing the fund, and you can call the toll-free number for more information.

If you are seeking information on money market funds, check the following sources.

Library

Financial Pages
The financial pages of newspapers list advertisements about money market funds.

Forbes magazine
This financial magazine lists and grades all mutual funds, including money market funds, each year in its late August issue.

Directory
For $12 you can obtain data on most funds by ordering Donoghue’s Money Fund Directory, Box 540, Holliston, MA 07146.

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