

Town of Monroe Policy

Date of Adopting Motion: 8/27/2020

Title: CD Investment Strategy

Description: The question always arises of whether or not to roll a CD into a 3 year or 5 year term. The difference in interest is usually around .2%

Typically all previous councils have had all CD investments put into 3 year terms. And they typically rationalized that then they would not be stuck at a low rate in 3 years if the markets had increased. The problem with that reasoning is that the markets will rise and fall unpredictably. And if you are always locked into a 3 year term then you are guaranteed to lose the .2% interest. No previous councils have taken any action other than rolling the CDs into consecutive 3 year terms.

The other variable on this is that multiple CDs maturing each randomly will naturally hit market highs and lows and will cancel out the losses and wins.

Therefore it has been motioned that the best action for a council to take to maximize CD profits is to keep rolling these types of investments into the highest interest rate offered at that time; which is typically the 5 year term.