

Motion from AFS

August 2024

Session endorses and approves opening a Preferred Deposit bank account offered through a Merrill Edge Self-Directed account, a product of Bank America, to enhance short term returns on the church's cash assets and to spread financial risk across FDIC insured banks.

#### Background

The church's cash assets are currently held in two banks: Amegy and Frost. The day-to-day financial activity for the church is primarily through Amegy. As such, the majority of WPC's cash is deposited at Amegy. Frost deposits support one debit card and the Change 4 change contributions. In recent history, the church has not deposited cash in interest bearing financial instruments as the cash was needed to support day-to-day activities. The surplus balances to the operating budget over the last four years now enable exploring opportunities for short term interest earning instruments and to spread FDIC insured risk. Certificate of deposits have typically been used to earn short term interest. These do offer interest earning opportunities but require focused time to manage; these also result in loss of earnings if a need arises to withdraw monies early to meet emergency needs. The bookkeeper researched and identified a new financial instrument that earns interest and is simple to manage: Preferred Deposit, a bank deposit product offered through a Merrill Edge Self-Directed account, offered through Bank of America. This account earns a yield competitive or approximate to certificate of deposits. The key feature is that the account can be easily accessed as needed for cash. Opening a Preferred Deposit account requires a \$100,000.00 initial deposit; our understanding is that after opening, we are not required to maintain that balance. The interest rate paid on Preferred Deposit is a variable rate; the interest rate and annual percentage yield may change at any time, without notice or limit. With the funds currently available at Amegy and Frost, Finance believes that we can balance current funds across the banks while satisfying day-to-day operational needs.