



Keeping investments safe without stuffing their money in a mattress

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Today's floor-scraping interest rates may be welcome news for homeowners and others looking to refinance a loan — but for investors, they're a mixed blessing.

"Many small- to medium-sized business owners who already have committed most of their wealth to their business tend to be conservative when it comes to personal investing," said Alma DeMetropolis, a Morristown-based senior global investment specialist with J.P. Morgan Private Bank. "They may not want to double down their risk."

Business owners looking to limit risk on investments are moving more toward money market or deposit accounts to increase liquidity.

But low federal fund rates, which influence a host of rates and sank to 0.18 percent in July, are helping keep bond, money market and other yields at basement-level yields. That can frustrate investors looking for rock-solid safety along with a reasonable return on their funds.

"While an individual's risk spectrum will generally depend on their own experience, we are seeing more business owners moving to money market funds and even deposit accounts that yield from 10 to 50 basis points," or 0.1 to 0.5 percent, she said. "Much of their wealth may be tied up in illiquid investments, like their business, so at least these accounts give them some liquidity."

Concerns about risk also are keeping some business owners away from equities, said Roy Williams, CEO of Prestige Wealth Management Group, in Flemington. **"More entrepreneurs are comfortable with money-market funds,"** he said. **"In this tight-credit economy, small-business owners may need to tap capital to survive, so they want to keep their own funds pretty liquid. That's why a significant number are staying away from fixed-income instruments."**

But some conservative investors are moving into exchange-traded funds that target bonds, said Alan D. Segars, investment management officer for The Provident Bank's Madison-based wealth management group. ETFs are securities that track an index, a commodity or a basket of assets that are traded on an exchange that can enhance their liquidity.

"The biggest we work with is the Barclays Capital Aggregate Bond Index, which recently yielded 3.5 percent," Segars said. "We've also directed some funds to alternative ETFs like AMJ, a master limited partnership that invests in domestic and foreign pipelines that carry oil and gas. AMJ has recently yielded about 5.5 percent."

Yields on relatively safe investments may be pretty spartan, but many nervous business owners aren't looking to take on additional risk, said Michael Walliser, manager of corporate services at Condor Capital Inc., in the Martinsville section of Bridgewater.

"We've recently placed some client funds into FDIC-insured certificates of deposit," he said. "But we keep maturities to two years or less, because we anticipate a rise in interest rates over the longer term. Also, business owners need liquidity, so they don't want to tie up their funds for long periods."