

# Understanding Money Market Funds

A money market fund, not to be confused with a money market account, is a type of mutual fund that invests in instruments like cash equivalents and short-term debt-based securities, which can also include U.S. Treasury Bonds.<sup>1</sup>

## **Safety First**

These funds are designed to be easily accessible and are often considered cash equivalents. Their primary role in a portfolio is to preserve capital while maintaining liquidity. Financial professionals use them as a place to hold cash for an investor or as a place to "park cash" temporarily while they evaluate new investments. In fact, the core value of money market funds lies in their stability and liquidity, making them one place where investors can build an emergency fund.<sup>2</sup>

## **Asset Value**

Money held in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds seek to preserve the value of your investment at \$1.00 a share. However, it is possible to lose money by investing in a money market fund.

*Money market mutual funds are sold by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.*

## **Preserving Capital**

Money market funds can play a role in an investor's portfolio by providing a high-liquidity, low-risk investment choice that is designed to preserve capital. They can play a central role in managing an investment portfolio.<sup>2</sup>

1. Medicare.gov, 2023

2. Medicare.gov, 2023