

Investment Ladders

One of the most integral tools for managing investments and liquidity is an investment ladder. An investment ladder is a strategy that investors use to purchase multiple financial products with sequential maturity dates. Laddering can help mitigate the risk of reinvesting a large portion of assets in an unfavorable financial environment.

Each "rung" of the ladder is a certificate or bond with a specific maturity date. The "height" of the ladder is the difference between the shortest maturity and the longest maturity. The more rungs in the ladder (12 or more is recommended, depending on credit union size), the better the diversification. Also, depending on the credit union's size, investment ladders could extend out to two years, which will reduce interest rate risk and add income, while remaining liquid.

Although the investment ladder is revered as a tool for investing, it also has a critical role in managing liquidity. Maintaining a tight investment ladder with maturities on a monthly basis will help to ensure a credit union has available funds when loan demand increases or shares are withdrawn unexpectedly.

Timing the market can be a daunting and tedious, not to mention unpredictable, task. Having an investment ladder in place helps reduce the need to make market timing decisions and provides stable cash flows, as well as reduces interest rate risk, liquidity risk and reinvestment risk. Investment ladders may vary for every credit union, but laddering is a strategy that fits every credit union's needs.

Many investment instruments can be used to build the investment ladder. A few of the better options for smaller credit unions are listed below:

- [SimpliCD](#) is a brokered certificate program that taps into the insured CD market through Catalyst Corporate's partnership with Primary Financial Company, LLC. SimpliCD offers centralized placement of large sums of cash in federally insured CDs, combining the safety of CD investing with the performance of the most competitive interest rates available, while eliminating the need for credit unions to manage individual accounts. Through Catalyst Corporate's TranZact platform, you can view rates and even purchase online, and an Investment Officer is available to assist you.

Program Benefits:

No Annual Fee or Transaction Fees: Unlike subscription CD rate services, SimpliCD has no set up or annual fees. And, unlike brokers that charge as much as 10-20 basis points per transaction, SimpliCD has no transaction fees.

No Paperwork for Each Purchase: A corporate resolution and custodial agreement are required to enroll in SimpliCD, but there is no paperwork to complete for each CD purchase.

One Monthly Interest Payment: On the third business day of each month, a single lump sum will be paid. You will receive a monthly interest statement that will detail the interest received from each CD.

No Need to Rate Shop: When purchasing a CD, SimpliCD requires just one phone call, regardless of the number of CDs you wish to purchase. No more calling multiple institutions to search for the best rates.

Comprehensive Statements: Following the purchase of a CD, a confirmation, along with a performance report on the institution, is mailed to you that day. You will also receive a monthly statement detailing all your SimpliCD holdings and transactions.

Full Insurance Coverage: A detailed tracking system will monitor that no more than the standard maximum deposit insurance amount is deposited at any one institution within the SimpliCD program.

Same Day Settlement: Your funds begin earning interest immediately.

Large Dollar Block Purchases: One-stop shopping, even for very large investments. Our specialists do all the legwork – all you do is call.

Competitive Yields: SimpliCD offers very competitive yields from the entire nation.