

# BOND&DEVICK

wealth partners

## News & Notes from B&D

First Quarter 2020

### Cash Management

Many people have both a checking and savings account, but why? Checking accounts are intended for everyday transactions and being used for short-term cash needs. Savings accounts are intended for longer-term savings and generally offer better interest rates for your money to pay you for keeping money longer-term at the bank. At Schwab, and most custodians in the industry, the interest earned on the cash portion of accounts is generally pretty low. Due to this, we look to manage cash in our clients' accounts in a similar fashion as a person moving money from their savings to their checking account to pay for short-term expenses.

You may have noticed a holding in your account called Schwab Government Money Market Fund. This is a high-quality Money Market fund that "pays" a little higher interest than the regular cash holding in accounts (currently about 1.2% higher).

*(continued on page 3)*

### Informed Delivery by USPS

Would you like to know what's coming anytime, anywhere from USPS for free? USPS offers you the ability to digitally preview your mail and manage your packages scheduled to arrive soon. Informed Delivery allows you to view greyscale images of the exterior, address side of letter-sized mail and track packages in one convenient location. Note: Images are only provided for letter-sized mail that is processed through USPS' automated equipment.

For more info and to sign up:

<https://informeddelivery.usps.com/box/pages/intro/start.action>

### In This Issue

- Vets Home Thank You and Save the Date for Casino Day May 21
- Trading 101
- Charles Schwab purchase of TD Ameritrade



# Trading 101

We closely monitor our clients' accounts for cash flow issues to make sure that we don't miss any scheduled distributions. As was stated in the Cash Management article, we often park excess cash in a Schwab money market fund in order to earn a bit more interest than what uninvested cash pays. In the past it has been a policy of ours to let clients know when transactions are made in their account.

Going forward we will continue to provide notifications when we rebalance accounts or make significant trades. However, we will no longer notify clients when we move money between cash and a Schwab money market since the trade does not impact the risk profile of the portfolio.

There has also been some confusion around trades made for "Share Class Conversions". Our firm always tries to use the lowest priced share class that is available when we use mutual funds. From time to time a cheaper share class will become available and we will make a trade to sell the current shares and buy the new, lower priced shares of the same investment. Please note, that as fiduciaries the only time we make trades is if we believe it is in your best interest. Some clients are confused by "all of the trading" in their accounts. Much of this trading is simply moving money between cash and a Schwab money market or to convert an investment into a lower cost share class. FYI—trade confirmations are sent directly from Schwab. If you would like to reduce the amount of paper you receive you can switch to online notifications and go paperless. Chris Gaffron can help you set up online access if you do not have it.

Please feel welcome to call or email us with any questions around your portfolio or trading. Be rest assured that our overall trading activity has not increased.

The Bond&Devick Team

## VETS HOME THANK YOU AND SAVE THE DATE—MAY 21 FROM 2-3PM

In January we had an all-time high number of residents—over 100—participating in BINGO at the Vets Home! Thank you to our volunteers who made it possible to give the residents a fun afternoon!



On Thursday, May 21 we will sponsor our annual Casino Day at the Vets Home from 2-3pm. We need A LOT of help to make this event successful. If we have the same turnout—it is going to be all hands on deck! We have blackjack tables set up as well as roulette and other games. If you are interested and available, please contact Chris Gaffron at 952-591-0113 or [chris@bondanddevick.com](mailto:chris@bondanddevick.com). Hope to see you there!

## Charles Schwab purchase of TD Ameritrade



On November 20<sup>th</sup> Charles Schwab announced it would be purchasing TD Ameritrade, one of their largest competitors, for \$26

billion dollars. Since most of our client's assets are custodied at Charles Schwab we thought you might have questions about how the merger of the two companies could impact you.

Charles Schwab makes money through its brokerage services from the buying and selling of securities and from the management fees it charges on its index funds. Also, a significant amount of its income comes from the banking side of its business. As one of the largest banks in the country, Schwab makes loans to individuals and corporations and provides other banking services with the cash sitting uninvested in client accounts. With interest rates near historic lows, the banking business has had a difficult time making money. The merger is expected to increase profits by reducing expenses by about \$2 billion dollars (primarily overhead costs associated with duplicate employees,

systems and offices) after the merger. JP Morgan stock analyst Devin Ryan believes that cost savings will allow Schwab to cut expenses, stream new revenue opportunities and improve the custodial platform for clients.

The merger is not expected to close until July of 2020, at the earliest. At that point the integration of TD Ameritrade clients into the Schwab system will begin.

We chose to work with Charles Schwab because they had a stellar reputation, were large and stable. We wanted a custodian partner that wasn't in the news for the wrong reasons and who could be depended on during good and bad economic times. According to Barron's magazine, after the merger, Schwab will have over 24 million accounts and add \$1.3 trillion dollars in assets. The benefit, we believe, the merger brings to Bond&Devick and our clients is that TD Ameritrade is known throughout the industry for its cutting-edge technology. As Schwab adopts these technologies it should provide us with greater efficiencies and a reduction in human error at the custodial level.

Our hope is that the combined company will be able to provide better services at reduced costs for us and our clients. We will make sure our client's interests are protected and if things do not go according to plan, there are other custodial options available.

The Bond&Devick Team

## Cash Management—continued from page 1

We see this like a person's savings account. There is no cost to purchase or sell this fund and the money is available the next day in a person's account during regular money market trading hours. In general, we look to keep 3 months of income need in the cash portion of a clients account to cover any distributions or fees. Depending on the account, we may keep 3 to 12 months worth of income need in the Schwab Government Money Market Fund to cover any expected distributions or fees over that period. This is especially true for clients taking distributions. When the cash balance gets low, we sell a portion of the Schwab Government Money Market Fund to raise the cash level in the account.

We hope this provides an extra explanation for why we utilize cash and a money market in some accounts and why we make transfers between the two.

The Bond&Devick Team

## Notes

1. Check our [website](#) for our new Podcasts!
2. Be sure to send us your updated tax return.
3. Are you on our volunteer list? If you have not been contacted to volunteer with us, you are not on the list. If interested, email Chris Gaffron at [chris@bondanddevick.com](mailto:chris@bondanddevick.com) to be added.
4. Check out our [Facebook page](#) for the latest updates on the B&D Team and families. Our page is public, you do not need your own FB account to view it!

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