Why Do Investors Like Money Market Funds?

A Minute With ICI

Why Investors Use Money Market Funds

Investors choose money market funds as a cash management tool for the many benefits they offer. This video explains what money market funds are and why investors find them useful.

Transcript

A money market fund is a type of mutual fund that invests in short-term, high-quality debt—including US government securities, municipal securities, repurchase agreements, commercial paper, and other financial instruments. Money market funds pay dividends that generally reflect short-term interest rates, and they are a critical source of financing for organizations of all kinds—from businesses to nonprofits to governments.

Both retail and institutional investors prize money market funds as a practical cash management tool that provides a wide range of benefits.

These include a high degree of liquidity, a goal of principal preservation, low costs, and—in some cases—tax efficiency. Combine those with a transparent, diversified portfolio, a competitive market-based rate of return, and strict regulation by the Securities and Exchange Commission, and you have one of the world’s safest, most valuable investment products.

For more information, please visit https://www.ici.org/mmfs.

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