

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>.