




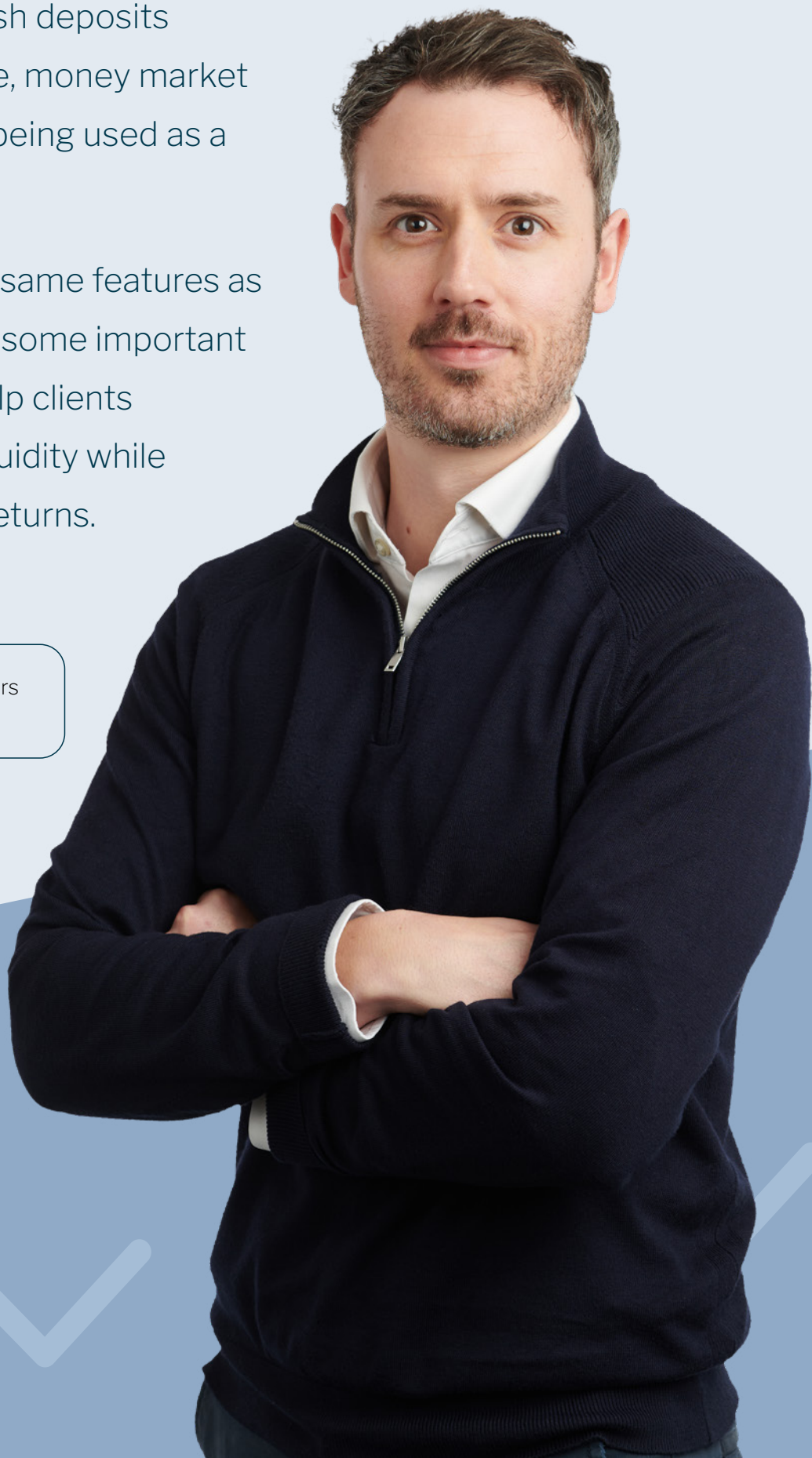
# Money market funds vs cash deposits:

Where should you park your cash?

Deciding where to hold cash isn't just about safety – it's about balancing liquidity, returns, and flexibility. While cash deposits remain a familiar choice, money market funds are increasingly being used as a practical alternative.

They offer many of the same features as cash deposits, but with some important differences that can help clients preserve capital and liquidity while potentially enhancing returns.

 This is a guide financial advisers can use with their clients



## What is a money market fund?

A money market fund is a lower-risk, professionally managed fund that pools clients' money to invest in short-term, high-quality debt issued by governments, large companies, and banks. It's designed to be stable, liquid, and a cash-like alternative for short-term investments.

## How do returns compare?

Money market funds aim to grow capital through the interest earned on the underlying investments.

These cash deposit returns are stable, due to the quality of the underlying assets, and typically higher than standard savings accounts or instant access deposits. Because these assets held in the fund are short-dated – typically less than one year – they respond quickly to changes in interest rates. This can be particularly beneficial when interest rates are rising.

By contrast, fixed-term deposits may offer more competitive rates, but they usually require locking up capital for 6-12 months or longer. Cash accounts provide instant access but often deliver lower interest.

Unlike money held in a bank account, an ongoing fund charge of typically 0.05-0.10% will apply to a money market fund. However, this is usually offset by the greater return potential.

## What about access and liquidity?

A money market fund isn't somewhere to put your emergency reserves. An instant access cash account offers the frictionless liquidity for money you might need in the short term or to cover unexpected outgoings.

Money market funds also offer daily liquidity, but it may be 5-10 working days before you can access your money, depending on the platform used. Fixed-term cash deposits will penalise early withdrawals, which makes them less flexible.

In short, holding money in cash offers the best accessibility, but money market funds offer the potential benefit of better returns without being tied into a fixed term deposit.

## Is my money at risk?

Money market funds spread your money across a wide range of 50-300 high quality, short-term individual instruments, reducing exposure to any single issuer or asset. While this diversification lowers risk, there is always a chance that you could get back less than you invested.

Cash deposits, meanwhile, are concentrated in one institution but savers are protected against the failure of a UK financial firm by the Financial Services Compensation Scheme (FSCS). This provides a safety net of up to £120,000 per person, per institution if a bank or building society goes out of business.

There are many levels of separation and protection in place for regulated funds, but if a UK-based money market fund were to fail, the FSCS is likely to cover any shortfalls up to a limit of £85,000. It's important to remember that money market funds are highly regulated, very diversified, and invest in highly secure instruments.

Some money market funds offered by Parmenion are based outside of the UK, in Ireland and Luxembourg. The FSCS doesn't apply to these funds, but they are based in countries where similar investor protection schemes may be in place. Speak to your financial adviser for more information, or see our **Keeping your investments safe** guide..

## Why choose a money market fund?

**Potentially higher returns** – Compared with traditional cash accounts, money market funds can offer clients the opportunity for better returns, helping their money work harder while remaining relatively low risk.

**No fixed-term blocks** – Many money market funds, allow clients to access their money when needed, providing flexibility without locking funds away in fixed-term deposits.

**Diversification to reduce risk** – Money market funds invest across a wide range of high-quality instruments, helping to spread risk and reduce exposure compared with holding a single cash account.

**Held inside tax wrappers for tax-efficient returns** – These funds can be included in Stocks & Shares ISAs, SIPPs, or other tax-efficient accounts, enabling clients to grow their money in a tax-smart way.

## The bottom line

The choice between money market funds and cash deposits isn't an 'either-or' decision. For most clients, the right strategy is likely to be a combination of the two solutions.

Cash deposits offer safety and immediacy and are the right place for emergency reserves. Putting surplus liquidity into a money market fund offers the scope for higher returns, convenience, and more tax flexibility, but does come with some small investment risk.

## Explore Sterling as part of a diversified strategy

For clients with short-term cash needs or a low-risk appetite, our Parmenion Sterling solution offers a highly liquid, low-risk solution that can sit alongside other investment pots. It's designed to provide flexibility and capital preservation, helping you build a thoughtful, multi-layered portfolio.

You can learn more about Parmenion Sterling by speaking with your Financial Adviser to see how it might fit in with your wider plans.

## Want to know more?

Interested in discussing this information further? Talk to your financial adviser – they're always happy to help. This guide is for general information and shouldn't be seen as a personal recommendation.

# Get in touch

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