

RICHARD H. STEWARD, JR AMERICAN LEGION POST 543 INVESTMENT STRATEGY POLICIES AND PROCEDURES

Policy 007

Post 543 may develop and maintain an investment program for funds which are not immediately needed to meet stated financial expenditures. The Budget Committee is charged with the development and maintenance of Post 543's investment program, and they are encouraged to utilize investment advisors, brokers, and others, as necessary. They shall be reviewed annually during the audit and findings included in their report. These results will be briefed to the Executive Committee and Membership.

The safety and security of all Post funds is imperative, and every investment must consider, at a minimum, market volatility, market fluctuations, interest rates, and potential risk, as well as the investment instruments currently in place. Seventy-Five percent (75%) of available Post funds should be invested only in institutions or securities which are federally insured or guaranteed by the United States Government. Available Funds **does not** include those funds which are set aside in restricted accounts (e.g., Scholarship, Reserve, General Fund Savings, and the Veterans Memorial, checking and savings). These funds may only be used for their intended or designated purpose.

3. Certificates of Deposit (CDs) are the preferred investment instrument, and CDs will not exceed FDIC policy limits, to include earned interest in any one institution. CD investment should be no less than seventy-five percent (75%) of the investment portfolio. All investments, regardless of institution, must be FDIC insured. CDs will be purchased from FDIC insured financial institutions which offer the best interest rate for a designated period.

- a) CDs should be purchased with the goal of having tiered maturity dates. This provides financial investment flexibility and precludes having the investments mature at the same time. Flexible maturity dates will decrease our overall risk.
- b) CDs may be purchased after completing a strategic fiscal analysis of the Post's near and long-term fiscal requirements.
- c) CD maturity terms may range from 3 months up to a period not to exceed 18 months. The exception would be a strong return on investment for a longer period. Any longer period of investment, beyond 18 months, must be approved by the Executive Committee.
- d) CDs may have an auto renew clause; however, the Finance Officer, upon receipt of the renewal notice, the Finance Officer may either renew the CD or instruct the Budget Committee to explore potential options (more favorable rates) so a plan of action and recommendation may be offered to the Commander.
- e) The interest earned from maturing CDs may remain in the investment firm's money market fund as it pays a higher rate of interest than our banking accounts. Interest may be applied to reinvestment opportunities in \$1000 increment.

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Corporate Bonds and Stocks are another investment option which the post may utilize for long-term fiscal and project management. Corporate Bonds and Stocks shall comprise not more than twenty-five percent (25%) of the investment portfolio.

- a) The purpose of including corporate bonds in the investment portfolio is to achieve higher yields and provide more diverse maturity opportunities than those available in FDIC insured or government guaranteed investments.
- b) Corporate bonds considered for purchase should carry a minimum rating of A1 Moody's/A+ S&P. This rating is the highest of the upper-medium bond ratings category. Bonds can continue to be held in the portfolio if they maintain a rating of A3 Moody's/A-S&P, the lowest grade in the upper-medium bond rating category.
- c) Corporate bonds should be limited to short-term maturities of 1 to 3 years. The corporate bond portfolio should be diversified by the issuer and sector, with no one issuer or sector comprising more than 5% of the total portfolio.

Rate of Interest is important and the highest rate possible shall be taken; however, investment safety and security are primary considerations. The Budget Committee shall review all current and future investment opportunities and options and make a recommendation to the Commander to continue an investment prior to maturity. The Budget Committee will vet new investment opportunity with a recommendation to the Commander for final approval.

On-Hand Assets shall be placed and maintained in an account within local banks, to be used for daily deposit of receipts and payment of obligations.

Convertibility and Liquidity Every consideration shall be taken to ensure all investments are convertible to cash with minimum penalty. All instrument maturity dates shall be staggered to allow immediate conversion, if required.

Investments may be spread among various institutions in a diversified manner. Certificates of Deposit, government-backed bonds and other federally guaranteed securities, money market accounts and money fund accounts shall be used to the maximum extent.

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