

Investing Association Funds

While the Condominium Act **does not restrict the types of investments** that associations may use to generate a return on it funds, there are a few things that board members should keep in mind about investing association funds. **First, board members have a fiduciary duty to the membership; such relationship requires prudent investment decisions that carefully consider risk and return.** Next, **board members should consider the deposit limits that are insured by the federal government.** The risk to association funds can be limited by spreading the bank accounts out so that no one account has excess exposure. Associations should also consider using separate accounts for operating and reserve investments. There are several reasons that this may be a good idea. Since most associations collect monthly assessments, the operating cash should be highly liquid (readily available) and is usually kept at a level necessary to cover monthly expenses, plus a cushion. **On the other hand, reserve funds are usually maintained with less liquidity in mind and generally have higher average balances in the accounts than operating funds.** Using a separate account for the restricted fund investments is also a good control procedure that helps ensure that the board does not unknowingly spend funds that are set aside for one purpose on something other than what was intended. Note that section 718.111(14), F.S., prohibits associations from commingling operating and reserve funds except for investment purposes. **Investment purposes means that there is an expectation of a return on the principal deposits.** Tax implications of the association investment decisions are beyond the scope of this manual. You should seek the advice of your tax professional before making your investment decisions.

NOTE: It is possible that an association may place its funds in accounts other than bank accounts. **The term "bank accounts" was used here for the ease of explanation.**

NOTE: Multicondominium associations should refer to Rule 61B-22.002, F.A.C., for information on how to maintain the accounting records.