



Target maturity ETFs provide a low-cost, diversified way to gain exposure to municipal and corporate bonds. (UBS)

# Funding a Liquidity strategy to meet the next 3-5 years of cash flow needs

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**CIO expects lower Treasury yields in the months ahead. As the Fed likely begins cutting rates in September, the investment focus should shift from seeking the higher current yields to creating income stability.**

Given this outlook, we advise investors to fund a Liquidity strategy so that it can meet the next three to five years of cash flow needs. This will help to protect against the risk of being forced to sell your long-term investments in the event of a recession or bear market.

As you refill your Liquidity strategy, consider “rolling” your core bond ladder by adding to bonds that will mature in the last year of the bond ladder—for example, bonds that mature in 2027 (for investors with a three-year Liquidity strategy) or 2029 (for investors with a five-year Liquidity strategy).

If you are using target maturity exchange traded funds (ETFs) to implement the core bond ladder component, you may want to act more proactively to roll your bond ladder. Target maturity ETFs provide a low-cost, diversified way to gain exposure to municipal and corporate bonds. Because these ETFs aim to return their net assets to shareholders by a predetermined date, they can act as a replacement for individual bonds in bond ladders and other strategies.

However, there are some important differences. Most important, as the ETF moves through the final months of its termination year, a growing share of the assets will be held in cash and cash equivalents. With this in mind, investors using target maturity ETFs should evaluate whether to hold the ETF to maturity, or proactively sell the ETF and reinvest the proceeds elsewhere. In the model five-year Liquidity strategy portfolios that we publish in our reports, we decided to

proactively roll the 2024 target maturity ETFs into 2029 ETFs, starting with this month's update report, to lock in yields and limit the allocation to cash and cash alternatives.

Speak with your financial advisor to learn more, and to apply this framework to your family's unique goals.

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Original report - [Liquidity strategy: Turning the page, 22 July 2024.](#)

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