

**Condo Smarts**

Headline: Managing Your Funds  
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**Dear Condo Smarts:** Our strata is a 274 unit condo development in Metro Vancouver. We have had over 2 million dollars in our reserve funds for the past 5 years. We will start tapping into our funds by 2016 for approaching roof repairs, but we have a problem with our fund account. Our reserve fund is generating almost 0 % interest. Our manager did not put the funds into an interest bearing account or GIC, so we have lost a few years of valuable interest. The manager says it was the treasurer's fault, the treasurer is blaming the manager, and other than arguing we are getting nowhere. What is the best solution?

*Karen Martins.*

**Dear Karen:** As strata corporations start to increase the amount of their contingency reserve funds through long term planning and depreciation report planning, they need to put their minds to how they effectively and safely manage their investments. The operating fund, the contingency reserve fund and special levy funds are all accounts in trust in the name of the strata corporation. For example, the legal name of the strata corporation is: "in trust for the owners, strata plan BCS5555". All of your investments should always be kept solely in your name, and you will be responsible to report in your annual reports and tax returns those amounts of interest generated by your strata corporation. Strata corporations have a great advantage for their contingency reserve funds in that they are non taxable, so the compounded revenues over a period of time can make a substantial difference in your future reserves. Strata corporations don't often think of the future, but if your strata invests \$10,000 a year over 30 years, at a rate of 3%, it grows to \$490,000. Obviously strata corporations will go in to their funds for major repairs, but even nominal investments have a significant impact. How to invest your funds, where, time limitations and what type of investments, is a decision of the strata council. The Regulations of the Strata Property Act set out the limitations of the types of permitted investments. Remember, your strata may also have very specific bylaws that limit the type of investments or may have given instructions at general meeting. The strata council makes their decisions by majority vote at a

council meeting and they should give very specific instructions to the strata manager or the treasurer or representative who is managing the investments. Your strata manager does not have the authority to invest your funds without either specific contractual instructions or a decision of council, so they are unlikely to make this decision without your instructions. While the regulations permit investments under certain conditions in the US and the UK, I would strongly recommend that a strata corporation seek qualified professional advice on the high risks associated with moving your funds outside of the country. Remember these are the public funds of your strata, not a private portfolio for someone's speculation. Follow a simple checklist. 1. The funds are always in the name of the strata 2. The council makes decisions and gives lawful instructions to the manager 3. Copies of all transactions, interest and investment accounts are supplied to council and updated with financial statements monthly as provided by the treasurer or the strata management company 4. Funds are not transferred without the consent and instruction of council. 5. No single council member has signing authority over the funds, transfers or withdrawals.

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