

How The Fed Makes Money For The Government - Government Structure

The Federal Reserve acts as a separate and individual entity from the U.S. government. It has the ability to create and manage its policies for the benefit of the U.S. financial system. Large banks throughout the country, also known as money center banks, deposit their excess cash with the Federal Reserve. The Fed in turn pays interest to banks on those deposits. When interest rates fall, the Fed pays out much less in interest expenses. After the Fed pays all of its operating expenses, it then sends the rest to the U.S. Treasury. The U.S. Treasury uses the funds to help cover U.S. government expenses and bills.

This past year in 2020, the Federal Reserve sent \$88.5 billion in profits to the U.S. Treasury, nearly a 66% increase from the previous year. Payments to the Treasury by the Fed has actually fallen for the past few years as rates have risen. The onset of the pandemic and the dramatic reduction in interest rates by the Federal Reserve in 2020 sharply reduced interest payments paid to banks on excess reserves.

Sources: Federal Reserve, U.S. Treasury

PlanRock offers investment due diligence services for Investment professionals. PlanRock offers Exchange Traded Funds on the New York Stock Exchange. See prospectus for more details. Please contact 800-677-6025 or go to www.PlanRock.com for more information about how we can help you reach your goals.

© PlanRock Investments, LLC. The content above is available for use only by authorized subscribers, clients and where permissible as such. This content is not authorized for resale. Past performance does not guarantee future results. The sources we use are believed to be reliable, but their accuracy is not guaranteed.