



FINANCIAL GOVERNANCE & SUSTAINABILITY

Investment Governance: What Happens After You've Built the Reserve

No prescribed rulebook exists. A documented, reasoned process is what the duty actually tests for

An association that has built the reserves discussed in the previous article eventually faces a follow-on question: what happens to that money while it sits there. Leaving a meaningful reserve in a zero-interest transaction account is itself a decision, and not obviously the safest one. Investing it prudently is not a departure from an association's mission. Done properly, it is part of protecting the mission's long-term capacity to continue.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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Why The Regulator Felt The Need To Speak Directly On This

The ACNC has published dedicated guidance specifically addressing charities investing money for financial return, prompted by a common dilemma: an organisation that has responsibly built reserves now needs to decide what to do with them. The guidance covers decision-making, record-keeping, risk management and developing an investment policy, and suggests charities consider obtaining professional financial advice suited to their needs. The reasoning is straightforward: a poor investment decision can cause unexpected losses that affect an organisation's ability to fulfil its purpose, and the trust the sector depends on cannot be taken for granted.

The Same Duty, Applied To A Different Decision

For registered charities, investment decisions sit inside exactly the same ACNC Governance Standard 5 framework this series has returned to repeatedly: Responsible People must manage financial affairs responsibly, act with reasonable care and diligence, and ensure decisions serve the organisation's purpose rather than drifting from it. The ACNC deliberately does not prescribe specific rules about what a charity must do when investing, leaving the appropriate approach to each organisation's own circumstances, the same non-prescriptive pattern this series noted in the reserves policy discussion. What the regulator does expect is evidence of a deliberate, reasoned process behind the decision, not a specific asset allocation. The absence of a prescribed rulebook is not the same as an absence of scrutiny. A board asked to explain an investment decision after the fact needs a documented process to point to, not simply a result that happened to work out.

A Structural Distinction Most Boards Do Not Know

Here is a nuance worth understanding, connecting directly back to the legal structure discussion at the very start of this series. Associations that are registered charities sit under ACNC Governance Standard 5. Associations that are not charities rely on directors' duties under the Corporations Act (for a company limited by guarantee) or their state or territory Act and constitution. In either case there is generally no legally mandated investment policy document, although the constitution or funding agreements may limit how funds can be invested. Some structures sit under a more specific regime. Trustees of private ancillary funds must exercise the care, diligence and skill a prudent individual would exercise in managing the affairs of others, and must prepare and maintain a current investment strategy (Private Ancillary Fund Guidelines 2019, ss 12 and 20). Public ancillary funds have their own guidelines, and other charitable trusts are usually subject to the investment rules in state and territory trustee legislation. An association considering a related trust or foundation should take advice first. A private ancillary fund, for example, is a giving vehicle that must make minimum annual distributions to deductible gift recipients, not a place to hold the association's operating reserves.

Building A Sound Investment Approach, Even Without A Mandated Document

- Document the investment approach in writing even where no formal Investment Policy is legally mandated, since a documented, reasoned process is what the general duty of care and diligence is testing for.
- Connect the investment approach directly to the reserves policy discussed in the previous article, since the two decisions, how much to hold in reserve and what to do with it, are one continuous financial governance question, not two separate ones.
- Set an explicit risk tolerance for invested funds, connecting to the risk appetite statement discussed earlier in this series, since a conservative reserve serving a solvency-protection purpose calls for a different risk tolerance than a longer-term growth fund.
- Confirm whether any related trust, foundation, or Private Ancillary Fund structure connected to the organisation is subject to a mandated investment strategy or trustee investment rules, rather than assuming the association's own lighter obligation extends across the whole structure.
- Before appointing an adviser or choosing a product, ask about fees, liquidity, risk rating, any ethical screens and the adviser's conflicts of interest, and record the board's reasons in the minutes.
- Review the investment approach on a cycle, since market conditions, the organisation's own risk capacity, and the purpose the funds are held for can all shift meaningfully over time.

Investing reserves prudently is not a distraction from an association's mission. Left idle in a low-yield account, or invested without any documented reasoning behind the choice, reserves quietly fail to do the job they were built for in the first place, protecting the organisation's capacity to keep delivering its purpose well into the future.

This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Investment Governance: What Happens After You've Built the Reserve

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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