Wood Property Management

YOUR PARTNERS IN PROPERTY SUCCESS

RESERVE FUND BASICS FOR ASSOCIATIONS

Plan Today. Protect Tomorrow.

WHAT IS A RESERVE FUND?

A Reserve Fund is money set aside by the Association for future, large-scale repairs and replacements of common elements and major components.

It is not an operating account—it is savings for predictable, expensive items.

THE GOAL: FULLY FUNDED RESERVES

A fully funded reserve means your Reserve Fund has enough money today to pay for all future reserve expenses based on:

- ✔ Useful life of components
- ✔ Remaining life
- ✔ Replacement/repair cost
- ✔ Inflation

The goal is not to collect the most money—it's to collect the right amount.

WHY RESERVES MATTER

Every component of your community has a useful life. Planning ahead ensures your Association can:

Protect Property Values
Well-maintained communities maintain higher property values.

Avoid Special Assessments
Adequate reserves help reduce the need for large, unexpected charges to owners.

Plan and Budget Wisely
Reserves allow your Board to plan proactively instead of reactively.

Meet Your Fiduciary Duty
Wisconsin law requires Boards to plan for and maintain adequate reserves.

HOW RESERVES WORK

1. IDENTIFY
Determine all major components and their useful lives.

2. INSPECT
Evaluate current condition and remaining life.

3. CALCULATE
Estimate future replacement costs and inflation.

4. FUND
Establish and follow a plan to build reserves.

This process is completed in a **Reserve Study** conducted by a **qualified professional.**

COMMON RESERVE ITEMS

- Roofing
- Asphalt & Concrete
- Exterior Painting & Caulking
- HVAC Systems
- Elevators
- Plumbing & Piping
- Fencing & Retaining Walls
- Playgrounds & Amenities
- Clubhouse & Building Systems
- Lighting & Electrical Systems

Every community is unique—your Reserve Study identifies what applies to your Association.

KEY RESERVE TERMS

Reserve Study	A report prepared by a professional that identifies components, estimates costs, and recommends a funding plan.
Reserve Contribution	The amount included in the annual budget to build the Reserve Fund.
Percent Funded	The Reserve Fund balance compared to the fully funded balance. Goal: 100%
Cash Flow Method	A funding method that contributes the same amount each year.
Component Method	A funding method that contributes varying amounts each year based on upcoming expenses.

BEST PRACTICES FOR STRONG RESERVES

- ✔ Review your Reserve Study at least every 3–5 years.
- ✔ Fund reserves consistently.
- ✔ Adjust contributions for inflation.
- ✔ Plan for long-term needs, not short-term convenience.
- ✔ Communicate the plan to owners.
- ✔ Avoid using reserves for operating expenses.

"Strong reserves today mean fewer surprises tomorrow."

DID YOU KNOW?

- Under Wisconsin law (Chapter 703), condominium associations are required to conduct a Reserve Study.
- Boards of all associations are expected to plan ahead and maintain adequate reserves to protect the community.

THE BOTTOM LINE

Reserves are not an expense—they are **protection.**

A well-funded **Reserve Plan protects your property values, reduces financial stress,** and **supports a well-maintained community for years to come.**