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The Lowdown On Enhancement Programs For School District Bonds.

Key Points

- Municipal bonds issued by school districts can be part of the stable foundation of a municipal bond portfolio, in our view.
- School district bonds in some states come with extra protection from state enhancement programs that can make missed interest and principal payments.
- The strength of the different enhancement programs varies by program.

It’s that time of year when students wind down their summer breaks and start to turn their thoughts to school. Municipal bond investors may want to follow their lead.

Bonds issued by school districts—along with other highly rated general obligation bonds from cities and states and revenue bonds backed by essential services—can serve as the stable foundation of a municipal bond portfolio. School districts in most states tend to have high credit ratings, boasting A-level ratings or better. Why? One reason is that school district bonds in most states are backed by property taxes, which can be a stable and reliable revenue source. A strong property tax pledge can help support the credit quality of school district bonds, in our view.

Continue reading.

FINANCIAL ADVISOR

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