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## Investors Reap Rewards Using Conduit-Issued Municipal Bonds.

**Summary**

- Conduit-issued munis are little-known area of the muni market that can increase yield.
- Investors benefit from higher yields and maintain the same tax-free status.
- Look under the hood of conduit issuers to avoid getting burned.

The search for safe and generous tax-free income with individual municipal bonds is becoming more difficult each day. But rest easy, there’s an obscure area of the muni market that can offer generous yields. Conduit-issued muni bonds often offer much higher yields than their traditional municipal counterparts and at the same time carry the same tax-free status. Many are safe and stable, but others can be very high risk. Investors must exercise due diligence. Safe conduit issues are a great alternative to municipal ETFs and mutual funds. Mutual funds carry redemption risk, meaning they will likely suffer value erosion during periods of large outflows. Individual bonds – including conduit-issued munis with good credit ratings – have no such redemption risk.

**What Are Conduit Bonds?**

Conduit bonds are bonds issued by an organization (usually a government agency) to fund projects on behalf of a third party who is the actual borrower. The borrower is usually responsible for the bond payments. Most conduit securities are issued to benefit the public at large (hospitals, airport improvements, housing, veterans, and pollution reduction). These issues can vary widely in size, purpose, and geography. They range from well-known public projects like hospitals to smaller projects like museums, airplane hangars, or maternity centers. In most cases the more obscure it is, the more risk.

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**Seeking Alpha**

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