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Should We Worry About Municipal Bond Defaults?

When it comes to safety in fixed income, municipal bonds have long proven their mettle as a strong, secure way to generate income and returns. After all, in theory, a state or local town has the ability to raise taxes to help pay for coupon payments and make investors whole. And history suggests just that.

But it isn’t always the case. Municipal bond defaults do happen.

With recession risks rising and new trends emerging, some analysts are predicting we could see a new wave of such events in the staid muni market. So, what should investors do? Is it time to abandon our muni bonds and look toward greener pastures? History is a good guide.

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