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Maximizing Returns With Tobacco Bonds: Benefits, Risks and Investment Strategies

When most investors think of municipal bonds, general obligation or GO bonds tend to be the first thing that pops into their heads. And for good reason. These bonds issued by state and local governments form the backbone and bulk of the municipal bond sector. Cash flow and interest payments are driven by tax revenues.

But there is more than one type of bond in muni land and some may be lucrative for investors. In this case, it’s the tobacco settlement bonds.

With their natural inflation protection, high yields and tax-free status, tobacco bonds could make for an interesting portfolio addition for investors. And thanks to the growth of municipal bond ETFs and mutual funds, getting exposure is easier than ever.

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