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These Bonds Offer Good Yields and Low Risk for Those Who Qualify.

Like chocolate and peanut butter, a dovish Fed and narrower credit spreads are two great tastes that go great together in high-quality municipal bonds, where investors in the highest tax brackets can earn impressive income without sweating credit risk.

Muni bonds aren't for everyone. But for high-income investors, they provide sizable yields with lower risk than they could get elsewhere thanks to the magic of "tax equivalency." Muni bonds usually have lower yields than Treasuries, but because they are generally free from federal taxes, the yield has to be adjusted for the amount saved on taxes. The actual tax-equivalent yield of a muni bond can depend on an investor's tax bracket and state residence.

These days, the tax-equivalent yields for many muni bonds across the maturity spectrum are pushing 6%. That's better than investors can do not only in equivalent Treasury bonds, but in corporates and money-market funds as well.

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Barron's

By Al Root

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