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Election-Related Tax Concerns Looming? Look to Muni Bond ETF TAXF.

With U.S. elections just under a week from now, many investors may be tuning in with questions about taxes. Overlapping with a time of year when many advisors look to mitigate tax impacts for clients, it may be worth considering ETFs to help. A muni bond ETF, for example, can provide a way to move assets into more tax-efficient holdings. The American Century Diversified Municipal Bond ETF (TAXF) provides an option therein that can particularly intrigue.

TAXF charges 29 basis points for its active investing approach. The fund combines investment-grade and high-yield muni bonds to offer both income and tax benefits. The active muni bond ETF invests up to 35% of its portfolio to "riskier" municipal bonds.

That active approach can help the fund parse the sometimes-complicated world of bonds. Where passive ETFs must track a list of bonds and can't adapt, active funds can scrutinize bonds more closely. That fundamental analysis can make a big difference especially when diving into riskier muni bond areas.

The muni bond ETF has returned 10.8% over the last year, per American Century Investments data, outperforming the S&P National AMT-Free Municipal Bond Index. Having launched in 2018, the strategy's AUM is very close to half a billion, per YCharts data. It offers a weighted average coupon of 4.8% as of Sept.30, with a 3.89% yield to maturity, as well.

Should U.S. elections project higher taxes, adding muni bonds could provide a helpful countermeasure. A strategy like TAXF, with its active muni bond approach, may provide performance, income, and yield on top of its tax advantages. Especially for those moving out of fixed income mutual funds or looking to tax loss harvest, TAXF can appeal.

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