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Understanding the Benefits/Risks of High-Yield Municipal Bonds.

One of the main principles of investing that every investor should understand is the idea of risk versus reward.

Every investment has some degree of risk and, in exchange, the owner of the investment should be rewarded with a higher potential for gain. A Certificate of Deposit, for example, has a very low level of risk but offers very minimal gain in the form of a fixed interest rate. A technology stock, on the other hand, has much more risk but considerably more upside.

Typically, investors see municipal bonds as a relatively conservative investment with the purpose of distributing tax-free income until the bond matures. However, not all municipal bonds are created equal and there are various risks versus rewards for each bond.

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Jul 12, 2018

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