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Fly High With Tax-Free Airport Revenue Bonds.

Summary

- Revenue bonds aren't burdened by unfunded pension liabilities like General Obligations.
- Airport bonds often yield more than GOs.
- Airport bonds are safe and very essential.

With state and local governments becoming more and more entrenched with unfunded pension liabilities, traditional muni investors should look to safer alternatives. We consider revenue bonds the safest, because they offer haven from the pension timebombs. More specifically, Airport revenue bonds, if done right, can add safety to your portfolio without sacrificing yield. Airport bonds can be a much safer alternative to traditional general obligation bonds because they aren't strangled by unfunded pension liabilities. Airports are also extraordinarily essential and usually have very little industry competition. Additionally, airport revs often yield more than their general obligation counterparts.

Major US airports issue bonds to fund ongoing improvement projects. Most of these bond issues are backed by all the diverse sources of airport revenues. They include revenue from airlines, rental car companies, concessions, and passenger facility charges (PFC). Passenger facility charges are the most important. Every airline passenger must pay, so it provides a very stable revenue stream. The fee goes toward the upkeep and maintenance of airports, including bond payments, and is set up and capped according to US federal law.

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Seeking Alpha

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