

Bond Case Briefs

Municipal Finance Law Since 1971

Understanding General Obligation Municipal Bonds.

Given all the municipal bonds to choose from, how do you decide which ones should make up the core of your portfolio? With \$3.9 trillion of muni debt outstanding¹ spread among tens of thousands of issuers, the choice may seem daunting, but we'll help you break it down.

Municipal bonds are sold by local and state governments to help fund public projects or municipal government operations, like building new schools or repairing city sewer systems. Their interest payments are usually exempt from federal income taxes, and may be exempt from state income taxes if the bond issuer is located in the investor's home state. For these reasons munis are often attractive to income-oriented investors in higher tax brackets looking to reduce income tax bills.

Munis can generally be classified into two camps—general obligation bonds and revenue bonds. General obligation, or GO, bonds are often backed by the general revenue of the issuing municipality, while revenue bonds are supported by a specific revenue source, such as revenue from a toll road.

[Continue reading.](#)

Advisor Perspectives

by Cooper Howard of Charles Schwab, 12/10/21

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com