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How to Calculate Tax-Equivalent Yield (& Why Investors Should)

Bonds can provide passive income, some of which may be tax-free if you're investing in municipal bonds. The tax-equivalent yield formula can be a useful tool for comparing taxable and tax-free bond investments. Tax-equivalent yield tells you how much of a return a taxable bond would need to generate in order to equal the yield on a tax-exempt bond.

A financial advisor can help you create a balanced portfolio with a blend of bonds and other investment types.

What Is Tax-Equivalent Yield?

Tax-equivalent yield is a calculation that investors can use to compare taxable and tax-free bonds. To understand how it works, it first helps to know a little about bond yields.

Continue reading.

Yahoo Finance

Rebecca Lake, CEPF®

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