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Investing in Aging: Senior Living Bonds as a High-Risk, High-Reward Strategy

When investors think about municipal bonds, safety and stability often come to mind. Afterall, a city or state government has the ability to tax their citizens to help pay for the bonds. As a result, munis often form the cornerstone of many conservative fixed-income investor's portfolios. But not all munis are safe and steady, some are a tad on the risky side. But for investors looking to pick up extra yields, these bonds could be a real opportunity.

Today, that opportunity lies within munis tied to senior living and nursing homes.

The senior living sector has long been one of the riskiest in the high-yield muni space — skewing default rates higher for all muni bonds. Those issues have only gotten worse since the pandemic. But with an aging population and increased elderly care needed, the sector could provide an interesting blend of risk and reward for some income seekers.

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