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## [Don't Let an Election Year Keep You From Munis.](#)

A forthcoming presidential election might create some angst among prospective investors in municipal bonds. However, history typically shows that election years don't produce major volatility swings.

Because presidential candidates can bring differing policy agendas to the table, the implications on municipal bonds could cause a degree of worry. However, historically speaking, they don't make much of an impact.

"Historically, presidential elections have generally had limited bearing on muni market returns," [noted](#) AllianceBernstein, confirming that powerful economic events had more of an impact on munis than elections.

If recent history is an indicator, a presidential election year should actually be a good time to invest in munis.

"Republicans and Democrats each won three elections since 2000, and muni bond returns were positive for each election calendar year and the year after in four of the six periods," AllianceBernstein added.

If that helps to quell any anxiety, one fund investors will want to consider for muni exposure is the Vanguard Tax-Exempt Bond ETF (VTEB). The ETF cracked the list of top muni bond funds to consider in U.S. News.

"These are debt instruments issued by states, cities, counties and other governmental entities to raise funds to pay for public projects such as roads, bridges and schools," noted Nathan Will, principal and head of municipal credit research at Vanguard.

If investors are concerned about credit quality, they shouldn't be, as most munis are situated between its safe haven Treasury and investment-grade corporate bond peers.

"Municipal bonds are generally a high-quality asset class with a very low historical default rate," Will added. "What sets them apart is the combination of strong credit fundamentals and the opportunity to earn tax-exempt income."

### **Diversification and Liquidity**

VTEB tracks the Standard & Poor's National AMT-Free Municipal Bond Index, which measures the performance of the investment-grade segment of the U.S. municipal bond market. Overall, this index includes municipal bonds from issuers, primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes and the federal alternative minimum tax.

Overall, muni funds can offer distinct advantages to fixed income investors. Aside from their tax exempt income distributions are their diversification and liquidity.

“There are several advantages to using a fund structure for investing in municipal bonds,” said Stuart Gillin, assistant vice president and investment advisor at Baker Boyer Bank. “Municipal bond funds provide diversification that can be difficult for investors to achieve on their own and are more liquid than individual bonds.”

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by Ben Hernandez

September 11, 2024

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