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2 ETF Options as Munis Offer Insulation From Tariff Contagion.

Lauded for their yield, credit quality, and of course, their federal tax-free income, municipal bond benefits are also extending into the containment of tariff contagion. A pair of funds that income investors should consider are the Vanguard Tax-Exempt Bond ETF (VTEB) and the Vanguard Core Tax-Exempt Bond ETF (VCRM).

As Vanguard noted, because munis derive their income from sources such as state income or property taxes, they are more insulated from the effect of tariffs, which have remained front and center in the 24-hour financial news cycle. Compare this to corporate bonds where certain companies could be affected by tariff levies on their products or even safe haven Treasuries where the rising cost of imported goods could keep inflation elevated and thus, apply downward price pressure while yields remain high.

“Municipal bonds also offer potential tax benefits, along with a domestic focus that largely shields them from tariff-related risks,” noted Vanguard in its most recent ETF industry perspective, noting that the income derived from munis are “insulated from the cause-and-effect concerns surrounding tariff policies.”

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August 15, 2025

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