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How Active ETFs Brought Muni Bonds Investing to Life.

Municipal bonds may not be the most exciting fixed income category out here, but they do play an important role in portfolios. Frequently offering tax-exempt opportunities and a solid base of reliable issuers, such bonds are often a pillar of the 40% side of portfolios. Where historically, mutual funds had limited the possibilities in muni bonds, the rise of active ETFs has unlocked muni bonds to a next level of potential.

While ETFs have been around for decades, they exploded in number and arguably, popularity, since the ETF rule was implemented in 2019. It was a catalyst that streamlined the launch of strategies within the wrapper, boosting product innovation and bringing more competition to all kinds of segments.

Muni Bonds Riding the ETF Wrapper

While today's innovative products frequently include muni bonds, one might question how they compare to mutual funds in terms of their disadvantages and the challenges of active management. The ETF wrapper gives them all the advantages of being more readily tradeable, often more transparent, and easier to use than mutual funds. Toggling their usage as a vehicle for tax exempt assets like muni bonds is another major benefit that makes things significantly less complicated.

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