

# Wealth News

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Brought to you by the office of Jeffrey T. Smith and CUSO Financial Services, L.P. (CFS\*)  
Located in the Investment Center at Bellco Credit Union

## Consumer Sense

### Bond Market

During the past decade, much attention has been centered on the volatility of major stock markets worldwide. While this may have caused concern regarding your portfolio, don't be derailed in your pursuit of long term financial goals. More important is the review of your portfolio to ensure that the investments held are in proper balance and consistent with your risk and time horizon objectives. As a complement to stocks, be sure to consider other asset classes such as bonds, which have generally performed well over the past decade. Although past performance is no guarantee of future results, Standard and Poor's reports that over a 10-year period ending December 31, 2011, the average annual return of investment grade bonds exceeded stocks. This is not to say the best method of allocating your portfolio would be to strictly invest in bonds, but to highlight the importance of a well balanced portfolio. Bonds are issued by a wide range of entities including governments, municipalities and corporations.

### What is a Bond?

A bond, according to Securities Industry and Financial Markets Association (SIFMA), is a debt security, similar to an I.O.U. As a bond investor, you are loaning your money to a company or government ("issuer") for a specified period of time. In exchange, the issuer agrees to pay a stated interest rate on the outstanding loan and to ultimately repay the loan ("face value") when the bond matures.

### Treasury Notes & Bonds

U.S. Treasury notes and bonds are debt obligations that are backed by the "full faith and credit" of the government, which makes these debt securities a relatively conservative way to preserve your principal when the bonds are held to maturity. Treasury notes and bonds are issued in terms ranging from 2 to 30 years.

### Municipal Bonds (Munis)\*\*

Munis are issued by states, local governments, school districts and other agencies to raise money for projects

such as schools, highways, hospitals and other infrastructure projects. Normally the interest income is exempt from federal income tax and in many cases, state and local taxes as well. \*\*More information about municipal bonds is available in the issuer's official statement which should be read carefully prior to investing. Consult your tax adviser for more information.

### Corporate Bonds

Corporate bonds are issued by corporations, and are rated based on the issuer's creditworthiness. Companies issue corporate bonds to raise money to build new plants, upgrade technology or purchase new materials.

### Who Can Assist Me?

With the myriad of choices, it may be difficult to determine which type of investment is right for your unique situation. The financial professionals here at your credit union will work closely with you to help assess your needs.

#### Sources:

<http://www.investinginbonds.com/>  
<http://www.federalreserve.gov/default.htm>  
<http://www.standardandpoors.com/home/en/us>

## Have You Read...

*The Bond Book, Third Edition: Everything Investors Need to Know About Treasuries, Municipals, GNMA's, Corporates, Zeros, Bond Funds, Money Market Funds, and More* by Annette Thau. This is a one-stop resource for seasoned bond investors looking for the latest information on the fixed-income market and equities.

CUSO Financial Services, L.P. (CFS\*) does not provide tax or legal advice. For such guidance, please consult your tax and/or legal advisor.

### Interested in Learning More? Contact Jeffrey Smith at:

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