

Bonds are basically certificates that guarantee that you will be paid a certain amount of money at a certain time. With a bond you are allowing the government or a corporation to borrow money on the condition that they pay it back to you at a specific time with interest. Most people are familiar with Treasury bills and US Savings bonds, but companies may also issue bonds and use the borrowed money to expand their business.

Bonds are safer investments in that you know how much you will get in interest. Of course, as with all safe investments, the returns are not as good as with riskier investments. Government bonds have yielded about 5% on average since 1925 with periods where they have been as high as 15% and as low as 4.5%. Also the money market mutual funds use bonds as their investments. There are also bond mutual funds that just invest in bonds.

Corporate bonds are not guaranteed by the government, and if the company goes out of business, you may not be able to get your interest and principal back on the bond. So for the increased risk, you get an increased return, as they have returned about 5.5% since 1925.

Bonds are also traded on markets just as are stocks. People will sell the certificates that they own to other people for different prices. You can also make money if the price of your bond goes up and you sell it, in addition to the interest that you have earned. Likewise if you sell your bond for a lower price before it comes due, you can lose money. Therefore bonds are riskier than cash.

Bonds are excellent investments for safe money that you need at a specific time like for a down payment on a house, etc. They are also excellent for retirement income when a fixed amount is needed to cover expenses. At Magnolia, we can help you pick individual bonds or mutual funds that invest in bonds. We have bond funds that have returned 7-8% annually for five or more years.

Call us at (864) 886-9766, and we will help you begin the process of adding bonds to your financial plan.

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