Fixed Income

Bonds provide investors with a wide range of investment opportunities than can complement a portfolio. Also known as fixed income investments, bonds are loans investors make to issuers, which can include governments, municipalities, corporations or other entities. Adding bonds to a portfolio may result in an important level of diversification. Bonds can also serve some very specific investment needs, such as providing retirement income. Associates of Financial Company Name, who offer securities through First Allied Securities, Inc., can help you determine if adding bonds to your portfolio may be right for you, and then offer bond investments that are suitable to your needs.

Why Fixed Income?
Historically, bonds have demonstrated less volatility than stocks. Less volatility increases the likelihood that investors meet their objectives at any given point in time. Bond returns often have a low, and sometimes negative correlation to stock returns.

In other words, they react differently than stocks to market and economic conditions. The result is an overall balancing of a portfolio. So while you may sometimes be tempted to pursue stock market performance in lieu of bonds, over the long term you may be better served by staying properly diversified.

In addition to the potential benefit of diversification, many investors seeking monthly income choose fixed income investments to provide that income stream. Income streams can vary depending on changes in the underlying bonds and their payments. Those who don't need the income each month often choose to reinvest the dividends.

Dividend payments can be used to supplement retirement income or even to handle current expenses. If these are your goals, then it may be important to select fixed income investments with a payment schedule tailored to your needs. Most individual bonds pay steady streams of income through semi-annual payments, however some issuers now offer bonds that pay monthly or quarterly interest.

Fixed Income Considerations
There are many factors that affect the value of fixed income investments. The most significant of these factors is interest rates. When interest rates rise, the value of existing bonds falls. Conversely, when interest rates fall, the value of existing bond investments rise. Similarly, inflation also plays a role in affecting the value of bonds. For example, a change in inflation forecasts may affect bond values, even before it affects interest rates. Additionally, economic conditions may have an affect on the value of the bonds you hold, particularly on corporate bonds. Economic troubles may affect the ability of a company to make interest or principal payments. While no one can time the market, we can help you to choose the types of fixed income investments for the current market and economic environment.

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Among the many fixed income options we offer are municipal, government, corporate, mortgaged backed, certificates of deposit and unit investment trust inquiries.

Bonds vs Bond Funds

Many investors choose fixed income investing as a means toward a specific schedule of fixed income payments, or a fixed principal amount on a certain date. Investors with such goals are often best served by investing in individual bonds that meet their investment time frames. For example, bonds known as zero coupon bonds are often used for college savings as they are purchased at a discount and pay all their interest at maturity.

While bond funds can also be used to help meet college savings or retirement goals, bond funds are generally used as a convenient means toward achieving proper diversification at a lower cost. Bond funds offer the benefits of professional management, liquidity and can be diversified across issuer, maturity and sometimes sector. Bond mutual funds are subject to the same interest rate, inflation and credit risks associated with direct bond ownership. At DCD we can help you determine how individual bonds and bond funds may fit into your portfolio.

Fixed Income Strategies for You

Many investors seek out the tax-exempt status of certain types of fixed income investments, such as municipal bonds. Unlike their taxable counterparts, income from municipal bonds is generally exempt from federal, state and local income taxes, depending on the issuer and state in which the bonds are issued. If you are subject to a higher marginal Federal ordinary income tax rate and plan to hold your fixed income investments in a taxable account, then municipal bonds or municipal bond funds may be a wise choice for you.

While tax-exempt fixed income investments may offer lower yields, often because of their tax-free status, these investments may actually result in more income on an after-tax basis than higher yielding taxable investments. At DCD, we can work with you to determine which fixed income investments most positively affect your return and tax status.

Let's Get Started

With access to one of the industry's most experienced fixed income trading desks, First Allied representatives can provide you with an array of fixed income products to help meet your needs. Among the many fixed income options we offer are municipal, government, corporate, mortgaged backed, certificates of deposit and unit investment trust inquiries. We'll work with you to review the various factors involved with fixed income investments.

Call us today at 626.768.3000 and we'll get started determining whether adding fixed income to your portfolio may benefit you.

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