



GETTING YOUR MONEY BACK FROM MUNIS

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Why is liquidity important for municipal bond investors?

There are 2 ways to get your investment back on a municipal bond. You get your principal back on the maturity date, or by selling your bonds in the open market before their maturity date. Liquidity becomes crucial if you need to sell your bonds before maturity.

What are key things to look for if I plan to sell before maturity?

The size of an issuer is a major factor. There are billions of New York City and State of California bonds which trade heavily each day merely because their outstanding debt is large, there are usually plenty of buyers and sellers for those 2 issuers. When you buy bonds, there may be a discount to find an investor willing to buy a small lot of \$10,000 or less. That situation will also apply if you need to sell a small lot from a small issuer—buyers will be harder to find and may demand a discount to buy your bonds.

Does an issuer's creditworthiness affect my ability to liquidate bonds?

Absolutely. The best example here is a very large issuer (Puerto Rico with over \$70 billion of bonds in the open market), but because of their defaults, junk ratings and negative publicity, trying to sell your P.R. bonds could be costly.

If liquidity is not a problem are there opportunities for investors?

There are hundreds of small lot bonds available, and many issuers have relatively small credit risk. Because of their small size, they may carry a large discount compared to other bonds. If you can buy and hold, steady safe income and perhaps a capital gain could result.

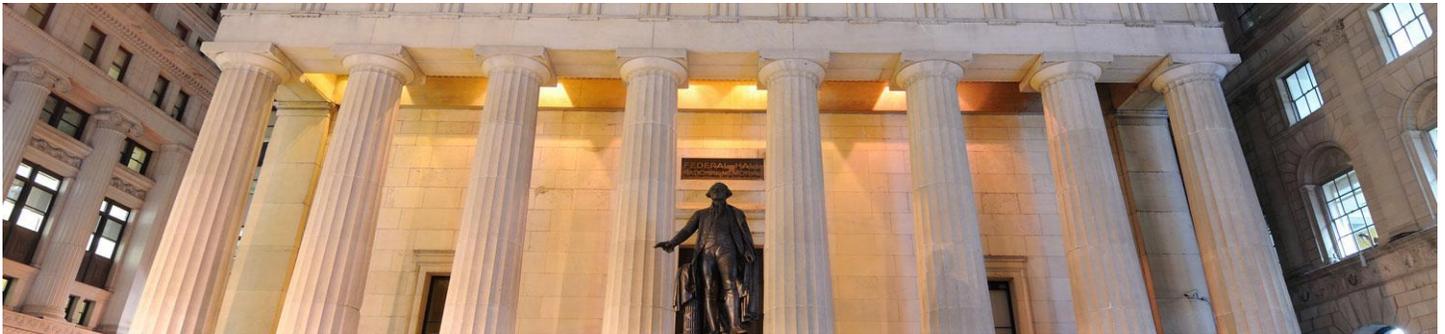
About the Author

RICHARD P. LARKIN, Stoever Glass & Co., Inc.

Richard Larkin, a recognized 40 year industry veteran, has joined SG & Co. as Director of Municipal Credit Analysis. Mr. Larkin began his career in credit rating analysis at Standard & Poor's in 1975. After rising through the ranks in various analytical and management positions, Dick left S&P as its Chief Municipal Rating Officer, responsible for municipal rating policy, practices, governance and criteria. In 1998, Mr. Larkin joined Fitch Ratings as Chairman of its Public Finance Criteria Committee. He ultimately left to take leading roles in municipal hi-yield analysis at firms JB Hanauer & HJ Sims.



“Dick will be a unique resource to Stoever Glass' municipal clients. His knowledge in specific issues and areas of the municipal bond industry will aid our representatives and their clients in making educated decisions, in a sector where this type of research is unique,” said Roland Stoever of Stoever Glass.



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