



Direct Investments in Munis vs. Bond Funds

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Investors seeking tax-free income might consider bond funds, because of a diversity of investments in a managed portfolio. The 2008 financial crisis, however, highlighted some unexpected risks — fund redemptions in a volatile market with declining credit ratings may force losses when bond prices decline.

Prices of bond funds usually decline for two reasons. When interest rates rise, the value and prices of bonds in a fund decline, causing net asset values to shrink. And if the creditworthiness of bonds in the fund declines, the value and price of your shares will also decline. But fund prices also decline if a fund is forced to liquidate holdings when prices are depressed because fund investors are redeeming their shares.

Long-term direct bond investors that do not plan to sell their bonds before maturity are not overly concerned about current prices of their bonds. They receive their interest, and at maturity will receive their principal back. Laddering your bond portfolio can help avoid selling off bonds at a loss in a depressed market by providing maturity paybacks in line your long term spending plans. Laddering helps moderate interest-rate risk by reinvesting maturing principal.

Stoever recommends that investors with less than \$100,000 are probably better suited to invest in a fund, rather than invest directly.

Bond funds have been hurt by distressed investments like Puerto Rico, which have forced liquidation of bonds in their portfolio, causing losses out of your control. However, your direct bond investment pays on the face value of the bond, and your income (which was your primary reason for purchase) has and will remain the same without annual maintenance fees, as long as you hold the bond to maturity.

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Roland Stoever founded Stoever Glass Wealth Management, Inc., in 2014. Prior to joining Stoever Glass & Co., (broker-dealer) in 1991, Mr. Stoever was employed by KVL commodities trading Gold and Crude oil futures on the floor of the New York Mercantile Exchange. Mr. Stoever's extensive career at Stoever Glass has many roles, beginning as a retail financial consultant and evolving to running the firms proprietary trading operations. In the past 25 years of trading an array of financial products he has gained vast experience into the workings of global financial markets, which he now brings to Stoever Glass Wealth Management Inc. Mr. Stoever is a graduate of New York University's Leonard Stern School of Business.

Mr. Stoever holds his General Securities (series 7) Equity Trader (series 57) and Registered Investment Advisor (series 65) licenses.



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