



INVESTING IN HIGHER EDUCATION

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This isn't about contributing to an endowment. There are safe income opportunities in state and private college tax-free bonds.

State universities, like Florida University and Florida State, get revenue from the State of Florida and tuition. They usually are high-rated, perhaps a notch or two below the State's own rating. Wealthy private universities, like Wake Forest, (rated "AA") are financially sound and heavily endowed. Not to mention Harvard & Yale, both of which are rated "AAA". However, because of their high ratings, coupon interest is low, reflecting their safety.

Smaller colleges and universities, both in Florida and out-of-state, that are rated in the "A" & "BBB" categories, provide higher income opportunities. The ones I like usually have total cash and investments that could cover a full year's expenses without counting tuition. They also have cash and investments that exceed their outstanding bonds.

Some examples in-state are Flagler College and Stetson University. Out of state, I could include my alma maters Iona College and Fordham University, both in New York. And while Marymount College of New York falls short of my cash/investment guide lines, they own, and bondholders have, a first mortgage on prime real estate in Manhattan.

Of course, there are pressures on higher education. Tuition increases have exceeded the inflation rate for years, and enrollment growth has been flat, partly because of tuition rates, and partly because of demographics. The 'baby boomers'" sons and daughters have already attended college, and it will be a while before their sons and daughters reach college age. That's why a college's cash position is so important—to ride between the waves of college-aged candidates. This is the key to buying college municipal bonds.

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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