

Fixed Income Securities

Corporations, governments and municipalities issue bonds to raise money and pay investors a rate of interest, similar to a loan. Most fixed income investments pay periodic interest and principal at maturity. Bonds inherently are subject to interest rate risk, inflation risk and risk due to economic change that may adversely impact the issuer.

Tax-Free Municipal Bonds

Issued by government entities such as states, cities and counties, municipal bonds are used to finance public projects. General Obligation (GO) bonds are voter approved and usually supported by the issuer's taxing authority. Revenue bonds are dependent on the fees generated from the underlying project. Although some municipal bonds are taxable, most are exempt from federal taxes and some, if held by a resident of the issuing state, are also free from state taxes.

Taxable Securities

Certificates of Deposit

Certificates of Deposit are eligible for Federal Deposit Insurance Corporation (FDIC) insurance of up to \$100,000 (\$250,000 for qualified retirement accounts) at each bank and savings institution where deposits are FDIC insured. DTC eligible certificates of deposit (sold by most brokerage firms) are negotiable and not subject to penalty if sold prior to maturity. They are however, subject to market risk if sold prior to maturity.

Treasury Bonds and Notes

Debt issued by Government National Mortgage Association (GNMA) and Tennessee Valley Authority (TVA) are backed by the full faith and credit of the United States Government. Government Sponsored Entities (GSE's) such as Federal National Mortgage Association (Fannie Mae), Federal Farm Credit Banks, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation (Freddie Mac) were established by the United States Congress for the public purpose of providing affordable financing to groups such as homeowners and farmers. These GSE's or Agencies debt is sponsored by, but not an obligation of the United States government.

Corporate Bonds

Issued by public and private corporations for a variety of purposes, corporate bonds are a loan to the issuer. They do not represent ownership in the issuing corporation.

High Yield Bonds

Like corporate bonds, high-yield bonds are loans to corporate issuers that are rated below investment grade by credit rating agencies such as Moody's Investor Services, Standard & Poor's Rating Services and Fitch Ratings. They do not represent ownership in the issuing corporation.

Fixed Rate Capital Securities or “Preferreds”

Fixed Rate Capital Securities combine the features of a corporate bond (fixed payments – usually quarterly, predictable maturities and balance sheet ranking above common and preferred equity) with preferred stock (smaller par value and major exchange listings for liquidity) to offer investors attractive yields while providing a cost-efficient source of capital for issuers.

Structured Products

Structured products are hybrid investments that provide unique benefits to individual investors through asset classes that are more difficult to access. Combining the characteristics of fixed income and equity investments with nontraditional investments such as options and futures contracts, structured products allow investors exposure to indices, commodities, currencies and other markets. In some cases, structured products are partially or fully principal protected.