

## Financial Wellness Tip September 2013

## What Are Bonds and Why Do I Need Them?

- Bonds are a way for companies or governments to borrow money from the public.
- Bonds are generally issued in \$1,000 increments. So, if you buy 1 bond, you have loaned \$1,000.
- When you buy a bond, you are told up front what interest the bond will pay each year. You are also told when the loan will be paid back to you. This is called the Date of Maturity.



## **Questions about Bonds**

- How risky are bonds? Depending on the issuer, bonds can be very safe (think US Treasuries) or fairly risky (a brand new restaurant).
- 2. Can I lose money in a bond? If you sell a bond to another person before its maturity date, the price you get for that bond could be more or less than you paid for it.
- **3.** Why should I invest in bonds? Bonds behave differently than stocks, so they are a good way to diversify your investments.
- 4. Do I have to buy bonds one at a time? No, you can invest in Bond Mutual Funds which allow for small investments and help you pick and diversify your bond holdings.

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