

Where the Value is For Generic Bonds



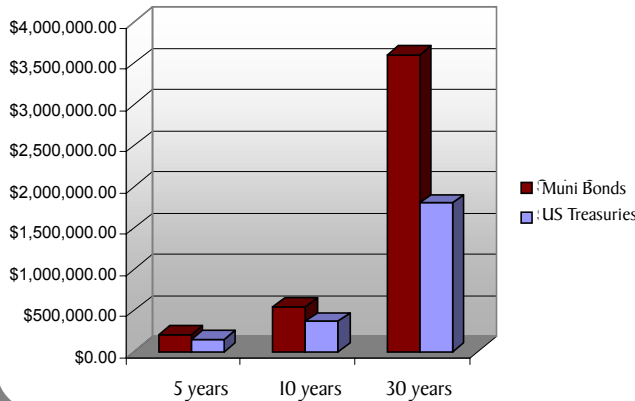
As our readers know, we think highly of municipal bonds, especially when compared to other investment opportunities. We have taken general obligation Municipal Bonds with a AAA rating and examined their yields over the 1, 5, 10 & 30-year periods and compared them to similar risk US Treasuries. The municipals used for this article are general obligation bonds available widely to investors and of course the US Treasuries fall into the same category in terms of risk and availability.

As you can see from the chart, the AAA rated municipals pay 2.94% for a 1-year maturity as compared to 3.88% return for US Treasuries, but remember US Treasuries are subject to federal tax, so we take the US Treasury return and make it after tax. Making it equivalent on an after-tax basis to the municipal bonds, the return is equivalent to 2.34%. The difference in the return on a \$1 Million investment works out to be \$6,000 more income for the municipal bond investment over the period of just one year!

If we do the same for the 5 year period, the after-tax return

compounded interest income over the five year period for the US Treasury works out to be \$156,463, whereas the Municipal Bonds works out to be \$204,999 or \$48,536.19 more income than the US Treasury over just 5 years!

Generic Muni's Easily Outperform U.S. Treasuries



Next, we look at the intermediate term of 10 years, as you can see from the chart the after-tax returns for the US Treasury and AAA rated municipal bond are 3.23% and 4.47%, respectively. The income for the two investments, re-invested at the current rate, works out to be \$374,229 for the US Treasury and \$548,516 for the Municipal Bond, that's a \$174,287 difference over 10 years! Keep in mind the first year's income for the municipal bond was \$12,400 more than the US

The US Treasury would earn \$1,806,793 of pre-tax cumulative compounded income and the Municipal Bond would earn \$3,602,024 or \$1,795,230 more than the US Treasury, **almost double what the US Treasury returned over the same thirty-year period!**

In closing, we know these returns might not initially sound like a whole lot, but remember if you have a million dollars in these types of investments the goal is to keep the principal safe while earning a steady return with minimal risk. After comparing the bottom line of each type of investment, we've found that there's almost nothing to compare! The Municipal Bond investment offers so much more with essentially no additional risk that there'd be little reason to pick a US Treasury over a Municipal Bond. Even for the shorter term of 5 years the difference in income proves that even for shorter-term investment needs municipal bonds fit the bill!

Equity Size Returns At Your Command!

Do you ever think about the risks taken when investing in the stock market? Investors have little control over the type or amount of risk they take when investing in a company.

Municipal bond characteristics offer different types and levels of risks investors can choose to be a part of, so you are in control of the risks you take on in your investment portfolio.

Stamper Capital specializes in Municipal bond strategies tailored to our clients needs. We educate our clients about the types and levels of risk so they can make smart, well informed decisions about their long-term investment needs.

Stamper Capital has over 16 years experience in different and changing bond markets and offers its expertise and experience at a fraction of the cost of a load mutual fund, starting at a 75 basis point asset management fee.

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	U.S. Treasury		Tax-Free Muni's ²	Tax-Free Muni vs U.S. Trsry	Annual Benefit Tax-Free
	Actual	After Tax ¹	AAA-G.O.'s	U.S. Trsry	
1 Year	3.88%	2.34%	2.94%	60 B.P. ³	\$6,000
5 Years	4.88%	2.95%	3.80%	85 B.P.	\$8,500
10 Years	5.34%	3.23%	4.47%	124 B.P.	\$12,400
30 Years	5.79%	3.50%	5.22%	172 B.P.	\$17,200

1. Assumes top Federal Tax-Rate of 39.6% and ignores state taxes.
2. Source: Bloomberg
3. B->P = Basis Points

works out to be \$8,500 more per year if invested in municipals. Assuming the money can be reinvested at the same rate of 2.95% and 3.80%, the cumulative

Treasury, yep that's right, just over the first year!

Finally, for you long-term investors, the thirty-year income difference is phenomenal!

