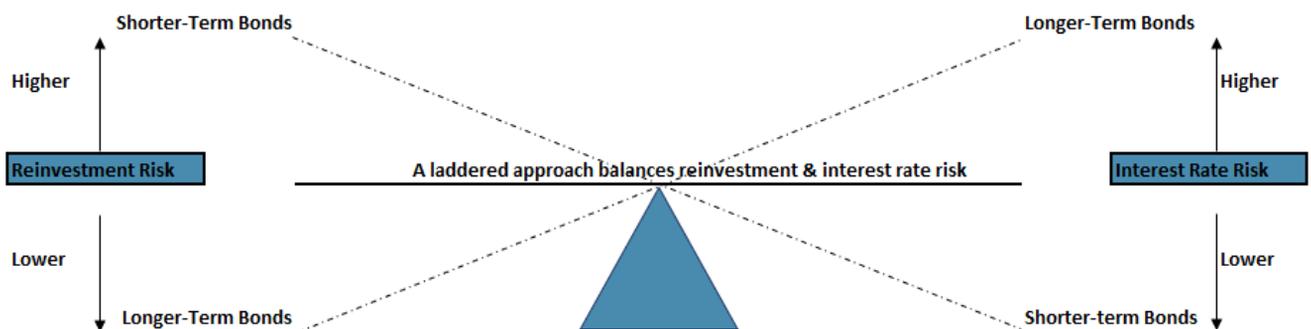


LADDERED BOND STRATEGY

A bond ladder is a portfolio of individual fixed-income securities which are staggered to mature on different dates in the future, typically over a short to intermediate-term horizon (1 to 14 years). This strategy is designed to minimize exposure to interest rate fluctuations and provide a stable source of current income over time.

Advantages of Owning a Laddered Individual Bond Portfolio:

- **Manages Interest Rate Risk:** In a flat to rising rate environment, maturing bonds are reinvested into the end of the ladder at higher prevailing rates. In a declining rate environment, longer-term holdings may appreciate in value and preserve overall yield.
- **Provides Predictable Income:** With individual bonds, the coupon payments and maturity/call dates are known, therefore providing predictable cash flows. This is not the case with bond mutual funds or ETFs.
- **Capital Preservation:** As bonds approach maturity, price volatility declines and assuming no defaults, mature at stated par value. This helps to preserve principal in a rising rate environment or volatile fixed-income market.
- **Cost Effective:** Because a typical bond ladder is “buy and hold”, transaction costs are reduced. Typically, mutual fund and ETF strategies have higher turnover which can increase overall transaction costs as well as potential exposure to tax liabilities.
- **An “All-Weather” Portfolio:** A bond ladder eliminates the need to time the bond market or call moves in interest rates, a notoriously ill-fated strategy.



Interest rate risk refers to the possibility that bond prices will drop if interest rates move higher, which can affect longer-term bonds more than shorter maturities. Reinvestment risk refers to the possibility that interest rates fall and maturing bonds will be reinvested at lower yields.

INFO@SPFG.COM | 309 EAST PACES FERRY RD - STE 1000 | ATLANTA, GA 30305 | 800-775-9092

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