Are munis a way to attract millennial clients?

Dan Rabasco, head of municipal bonds at Mellon, a BNY Mellon company, discusses the potential Environmental Social and Governance (ESG) angle of municipal bonds and whether the next generation of investors could be intrigued by it.

I don’t think there’ll be a new generation of investor that is non-traditional attracted to munis. I think what’s going to happen is there will be a transfer of wealth from one generation to another. And, frankly, what’s driving demand for munis is its tax-exempt nature, but when this generational wealth transfer happens, millennials who are very keenly interested in environmental problems that the world is facing, societal ills, will be generating more wealth, having more wealth. And their focus will be more in an ESG direction than maybe previous generations of traditional buyers. But there will be a traditional buyer, wealth transfer, but they’re going to be focusing on ESG.

Definitions

ESG – Environmental, social and governance.

IMPORTANT INFORMATION

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Bonds are subject to interest rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines.

The amount of public information available about municipal securities is generally less than that for corporate equities or bonds. Legislative changes, state and local economic and business developments, may adversely affect the yield and/or value of municipal securities. Other factors include the general conditions of the municipal securities market, the size of the particular offering, maturity of the obligation, and the rating of the issue. Income for national municipal funds may be subject to state and local taxes. Income may be subject to state and local taxes for out-of-state residents. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable.

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