Want to make an impact? Take a look at munis

Dan Rabasco, head of municipal bonds at Mellon, a BNY Mellon company, says investors interested in ESG or impact investing might want to consider municipal bonds.

Municipal bonds definitely have an inherent ESG element to them. Muni bonds really align well with positive impacts, environmentally and socially. These muni projects at the State and local level are the following for instance; green bonds for clean water purposes, transportation bonds for mass transport, even utilities where there’s an effort made to decrease the carbon footprint, they’re looking at renewables and issuing bonds for those types of projects, renewable energy sources.

From a social standpoint, not-for-profit municipal hospitals, healthcare, charity care, education, creating a better learning environment. Municipal bonds finance public education; elementary, secondary for instance. Muni bonds really align themselves well with ESG impact investing.

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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