



## Responses to Subscriber Questions

We have had a number of inquiries from Newsletter subscribers requesting information about how we work with clients. Since you might have similar questions, we thought we might share some of these conversations with you.

*"I'm looking for a diversified set of bonds that yield between 4% and 5%. I have immediately available \$300,000 and if I can set these bonds up in an IRA I would have another \$400,000 available. I would need the yield as income (not reinvested)."*

- We can set up automatic disbursement of the interest payments. The Fidelity monthly statement clearly states how much income is coming in monthly, both as interest and returning principal.

*"What would be the grade of the bonds you buy(S&P, Moody's, Fitch)?"*

- We only purchase bonds rated double-A or higher by at least one of the rating services.

*"What would be the duration of these bonds?"*

- Currently to get a 4% tax-free yield on high quality bonds, both to the call and to maturity, the bonds would have to be in the 20 year or longer range. It might be possible to get shorter bonds with a yield of 4% or better if the yield-to-call were lower. i.e., a call in 2021 with a yield of 3.6% for example.

Some bonds are sold at a premium, so your *cash flow* could be between 4% and 5%, though your yields might be lower. We explain this distinction in detail to our clients that wish it.

*"How many bonds would be included in the portfolio?"*

- We do not do discretionary work so you would be in charge of defining the lot size with each purchase. Part of our service is to educate our clients about bonds and bond portfolios to the level that they wish.

Usually we would purchase bonds in lot sizes between \$25,000 and \$50,000. If you are investing less than \$300,000 to start, we would purchase smaller amounts to insure you have sufficient diversity.

*"What kind of bonds do you purchase for IRA or other retirement accounts?"*

- We purchase taxable bonds in retirement accounts and tax-exempt bonds in your non-retirement accounts, generally speaking.

*"What would be my cost of purchasing all the bonds (all costs totaled together)?"*

- There are no charges or fees taken from your account. We charge a one-time fee of 1% of the face value of the bonds that we purchase, and send you an invoice for that amount. If we purchase bonds from brokers other than Fidelity, there is a flat Fidelity fee of \$20 per transaction. Each bond purchase has a spread, which is the difference between what the broker paid for the bonds, and what the broker is willing to sell them for. It is our job to narrow the spread on your behalf.

We are unusual in that we do not do discretionary work. We call you to gain your approval for each purchase. In this way, you get to understand what we are doing and learn about bonds with a mentor. You can say "no" to any purchase. You are always in control. You are able to see your portfolio on Fidelity's retail website. You can time your purchases to suit yourself.

If you would like to have a conversation with us, please give us two times (Eastern) when we can chat.

Kind regards,  
Hildy