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Basics of investing in bonds by James Blee

Article published on December 20th 2011 | Investing

One of the best ways to keep your money secured in the investment market is by purchasing bonds of companies. Though stock trading has been given priority by many, only a few tend to succeed in it. This is because, of the very high volatile market and the recession that takes place every now and then lowering the market by more than half and ruining the finances of many investors. In compared to the stock market, bonds are considered to be less risky.

Low on risk

By purchasing bonds, investor provides loan to the issuer. The bonds on maturity could be redeemed for a price coupled with the interest earned on it. This is said to pose less risk to the investor for the main reason that even if the company goes out of business, the bond holder would receive at least the capital investment, if not the interest. This is the reason why bonds make a popular choice among the elderly people.

Another interesting feature of bond is the annual interest that is earned could be evenly distributed according to the requirement of the investor â€“ monthly, quarterly, half-yearly or annually, which would help the retirees with their cash flow.

How they are used?

You can find several bonds available in the market for investing your hard earned money. The money accumulated in the bond is used for paying for the improvements in schools, libraries, development of roads and infrastructure, transportation system, power plants, and lots of other things. Bonds have always been an effective tool for investment right from the time; it has been introduced and always been a popular investment tool for the investors who would like to have their investments to be secure. However, it is advised that before investing in a bond, they should be carefully and thoroughly checked.

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Article Keywords:
Bonds, Corporate Bonds

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