

Lockdown your Yields with Location, Asset and Product Diversification

A dovish Jerome Powell and Federal Reserve talked down US interest rates after Wednesday's Federal Open Market Committee (FOMC) meeting. From Wednesday pre-Powell to Thursday's close, the yield on the two-year US government bond fell from 5.05% to 4.88%. The ten-year US bond fell from 4.69% to 4.58%.

Many of us old enough to remember US interest rates pre-Covid are debating whether to increase fixed income allocations and bond holdings. Rates are high when compared to the decade before Covid, 2009-2019. The popular I-bond just announced its semi annual rate reset of 4.28%, with an annual inflation component of 2.98%. This is down from the last reset in November 2023 at 5.27%.

Don't panic. There are still plenty of opportunities to lock in high interest rates. Location, Asset and Product Diversification (LAPD) offer the financial instruments to balance out your portfolio.

Multi-Year Guaranteed Annuities (MYGAs) showcase higher yields in the fixed income space. Currently, a six-year product, with the withdrawal option of a lump sum guarantees 5.6% a year. Interest is earned tax deferred. This is 1% more than ten-year US Treasuries bonds. MYGAs aren't appropriate for all investors, as liquidity restrictions and penalties can be prohibited. Contact Triathlon Partners LLC to discuss the risks, terms, and additional benefits that annuities can offer.

Popular Jubilee and Sabra bonds are paying a premium to US Treasuries as well. The Sabra three-year pays interest at the end of the term, yielding 5.4%, over half a percent higher than the US two-year Treasury, on an inverted yield curve to boot. The semi-annual coupon paying, fifteen-year Jubilee is yielding 6.12%, over 1.5% higher than the ten-year US treasury. If you are unfamiliar with these bonds, contact Triathlon Partners to learn more.

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