Abbr.	Description	Taxes	Typical Yield	Interest Rate Sensitivity	Volatility	Risk	Examples
REIT	A **Real Estate Investment Trust** owns property such as office buildings, apartment complexes, shopping centers, hotels, radio towers, warehouses, billboards, and trailer parks. The trust must pass 90% of income through to investors. REITs deliver high yields and potential growth though dividends are taxed as ordinary income. REITs are popular one year and unpopular the next, so their value swings, but ownership of many properties provides diversification and long-term safety, unless they fall prey to bad management.	Best for tax deferred account	4-8%	much less than most people think	high	low-mod	O KBWY LMRK VTR
Pref	**Preferred stocks** behave like bonds. They promise a fixed dividend every quarter, yield much more than common stocks, but have limited growth potential. Perpetual preferreds have no maturity date. The value will vary with the fortunes of the issuing company and prevailing interest rates. Be careful the price you pay; it should rarely exceed the face value. Purchase a preferred stock under par for a chance at capital gains, but the price may have dropped for a reason. Some preferreds are taxed as income and some pay qualified dividends that are taxed at capital gains rates. Dividends from preferreds issued by REITS are taxed as ordinary income.	taxable account for preferreds with qualified dividends; taxdeferred account for unqualified dividends	5 - 8%	much less than most people think	low-mod	low	DLR-G ETP-D NGL-B UMH-C
BB	**Baby Bonds**, unlike like preferred stocks, usually mature in 1 - 10 years. All the company has to do is stay in business, and you will get your principle back on the maturity date, collecting a nice yield along the way, usually 5-7%. Business development companies offer many Baby Bonds, and most are stable companies, despite the often dramatic fluctuations of their common stock. The short time to maturity protects against a decline in price if interest rates spike. If that happens, hold on to the security until it matures, then reinvest in another that is now paying a higher rate. Baby bonds and preferreds trade on the stock market, so they are much easier to trade than bonds which trade over-the-counter. Bond trades may require large lot sizes that shut out the smaller investor.	either taxable or tax deferred	5 - 7%	usually not	low	low	AIW GAINL PBB FDUSL
Stocks	**Stocks**, also called equities, represent a fractional ownership of a company. Some pay dividends, but many do not. For the income investor nearing retirement, it can be a long time to wait for the price to rise so you can sell and collect your reward. Now way past 50, I am too impatient to wait for that to happen. If the yield is high, it may be a “value trap,” dragging you with it on its way down to $0. I would buy individual stocks only in a taxable account. If the price tanks (a la Enron) you can at least capture the loss for an income tax deduction.	taxable account for individual stocks	0 - 2%	variable	high	mod-high	T MO MIC

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CEF	A **Closed-End Fund** buys a basket of securities like a mutual fund. After the initial offering, you don't buy and sell shares from the company but only on the open market from other investors. The fund does not have to sell securities to pay off investors who sell shares. Likewise, they do not have huge influxes of cash when their fund is too popular. Instead, the price of the shares rises and falls with investor demand; so there is a market price that investors will pay to own shares and a net asset value (NAV), which is the "real price" based on the underlying value of the securities owned by the fund. When you invest in a CEF, keep an eye on the discount or premium to NAV. CEF's charge a yearly fee, usually a percentage of assets, which lowers your return.	variable	4 - 10%	sensitive	mod-high	high	FFC JPS ADX UTG ETV
BDC	**Business Development Companies** fund small enterprises that banks cannot. They provide loans or purchase equity. Because of the risk, the yield is high, but BDCs diversify their investments across many companies and industries. Watch the net asset value (NAV) and the percent of nonperforming investments, hopefully only 1-2%. The common stock prices of BDCs are volatile, leaping up and down with the business cycle and popularity.	both	5 - 12%	high	high	mod	MAIN ARCC BX
MLP	**Master Limited Partnerships** commonly invest in the energy industry, often the "midstream" sector of pipelines and transportation. Midstream partnerships can make money no matter what the price of oil is, and yet the market may still punish them when oil prices crash. A purchase of shares in most of these companies will make you a part owner, so you will get a K-1 form every year, complicating your taxes. Such investments are not appropriate for tax-deferred vehicles such as IRA's or 401k's. Yields can be high, but the price volatile.	taxable	5 - 14%	high	high	high	ET MIE PEGI MMP

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Bonds	A **Bond** is a loan you make to a company. The company pays a fixed amount every quarter (the coupon rate) to the owner of the bond until the maturity rate, at which time it repays the principal. Bond prices may fluctuate with economic news, the fortunes of the company issuing the bond, long-term interest rates determined by the market, and short-term interest rates determined by the Federal Reserve. The coupon rate is fixed, but the price of the bond fluctuates, so the yield (coupon rate/bond price) may vary over time; if you buy a bond at a low price, under par, your yield will be higher than the coupon rate; if the price rises, your yield will fall, but if you sell the bond, you will have a capital gain. You may purchase bonds individually, often with difficulty, or in funds that provide diversification, but for a price.	tax-deferred	.25 - 6%	moderate for shorter maturities; High for long maturities	high	low	PTIAX PONAX
Loans	You may make personal **Loans** to family and friends, but that is risky. Investing online with a company like Lending Club, provides instant automatic diversification and a good income stream independent of the stock market. Some borrowers will default, lowering your yield, but unless you try to sell the loans on the secondary market interest rates and inflation will have little effect. Most of the loans are short-term (3 years).	always taxable?	5 - 9%	not much, but the loans are usually only 3 years	none	default risk	Lending Club
Mutual Funds	A **Mutual Fund** purchases a basket of securities, such as stocks or bonds, then sells a share to you. The fund managers use their collective experience and their computer programs to make buy and sell decisions, charging a fee for this service - sometimes small, but sometimes large, and sometimes a “front end load.” I would never buy a fund with a front end load. Fees and loads can dramatically lower your total return. Ninety-five percent of fund managers do not beat the market over 15 years, charging you 1-2% for this service. See ETF’s. Mutual funds rarely pay much of a yield; even bond funds that are a mix of treasuries and corporate bonds yield less than 4%. Only high-yield bond funds (junk bonds) yield close to 6%. The junk bonds funds fluctuate in sync with the stock market, so there is no diversification there.	variable	2 - 4%	Yes for bond funds; variable for stock funds	variable	Market risk; often diversified; watch the fees	SCHB AKREX

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Muni	**Municipal Funds** are mutual funds that invest in bonds sold by local taxing authorities or semi-governmental organizations. Usually their dividends are free from federal income tax. A municipal bond fund focused on only one state will pay dividends also free of state income tax. Their dividend yields are usually lower than taxable bonds, so do the math based on your tax bracket for comparison to taxable investments. Experienced or institutional investors may prefer to buy individual municipal bonds. Watch for high fees in the funds, usually 1% or more. To take advantage of their tax-exempt status, purchase Munis in a taxable account. Taxable municipal bonds exist; purchase the fund GBAB in your tax-deferred account. Munis do not fluctuate with the stock market.	Tax-deferred account to capture the benefit of income tax exemption	3 - 5%	little	modest	see above for funds; Cities and states could run out of funds	DMF PMM __ GBAB (taxable)
ETF	**Exchange-Traded Funds** provide diversified like mutual funds and closed end funds. ETFs represent a basket of securities - stocks, bonds, etc. that go up and down in value with an underlying index. They are bought and sold on the market like stocks. Like closed-end funds, the NAV may differ from the market price, but not by much. There is a yearly fee to own an EFT, but for those that passively follow an index, it can be as low as 0.15%. ETFs provide an inexpensive way to invest in the entire stock market for instance, beating 95% of mutual fund managers for a tiny fee. Equity ETFs have low yields, 0-2% for instance, but tracking the market provides the potential for capital gains and a hedge against inflation.	either taxable or tax deferred	0 - 5%	depends on underlying index	low - high	Low-mod Diversified	YYY EUSA
CD	Banks or other financial institutions issue **Certificates of Deposit**. CDs 1-2% nc provided a safe and profitable way to invest your money until the great recession of 2008, when interest rates plummeted. CDs now pay very low rates. They have risen in the last 10 years, but you still get only about 2% for locking your money up for 5 years. That is risky.	Usually associated with banks and so in a taxable account	1 -2%	no. they do not change in value	none	inflation and interest rate risk	