BUILDING BLOCKS FOR RETIREMENT

Revisiting Your Portfolio

Treasury Securities -- Should They Be in Your Portfolio?

U.S. Treasury securities are debt instruments backed by the full faith and credit of the United States. The sense of security and stability they offer make them a go-to investment option for a wide range of investors. Here's a top-down view of their primary features and a look at when it may make sense for investors to include them in their portfolios.



Variations on a Theme

The U.S. Department of the Treasury issues securities to raise the money needed to operate the federal government. Investors are willing to accept the relatively low interest rates offered by Treasuries in return for the safety of principal they offer. The fact that interest from Treasuries is exempt from state and local taxes is another big plus in the eyes of many investors.

The three primary categories of Treasury securities are bonds, notes, and bills.

Treasury Bonds

These are sometimes described as "long bonds" and have a maturity of 20 or 30 years. They pay a fixed rate of interest semiannually and return the bond's full face value at maturity. Investors who seek a source of income over the long term may want to look into Treasury bonds since they typically pay a higher rate of interest than shorter-term Treasury securities.

Treasury Notes

Treasury notes can be bought with maturities of two, three, five, seven, or 10 years. Like Treasury bonds, they pay a fixed rate of interest semiannually and the full face value is returned to the investor at the end of the note's term. Investors who seek a reliable source of income or who are saving for a mid-term goal, such as buying a home, may find them a suitable option.

Treasury Bills

Treasury bills are short-term securities issued with maturities ranging from four weeks to 52 weeks. Unlike Treasury bonds and notes, they don't make periodic interest payments. Instead, they are sold at a discount -- for less than their face value. At the end of the term, the

investor receives the full face value. Treasury bills may be suitable for investors saving for short-term goals or building an emergency fund as well as for conservative investors with a low tolerance for investment risk.

Deciding whether to add Treasury bonds, notes, or bills to your portfolio can be a complex decision. An experienced financial professional can help you make the choice that's most appropriate for your circumstances.

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