

What is a Bond?

Bonds come in many shapes and sizes and may or may not be suitable to your circumstances.

“Bond” is also one of the most over-used words in financial services.

An overview of the typical bonds that we come across in our dealings with clients are outlined below:

Fixed Rate Bond

these are deposit accounts (cash), usually available from banks and building societies. In the expectation that the money will remain with the provider for a set term, a more favourable rate of interest will be paid. Savings terms range typically from 1 year to 5 years with interest rates of 1.5% to 2.6% pa.*

These bonds can be useful for cautious investors, as part of a contingency fund or for sums of money earmarked for imminent projects.

Corporate Bond or Gilts

These ‘bonds’ are issued by Governments (UK and overseas) and large corporations. The bond pay interest or a coupon usually for a set period and look to return your initial investment on maturity. The coupon will vary depending upon economic conditions, the financial strength of the issuer and the term of the bond. These bonds are regularly traded on secondary markets (stockbrokers and market makers).

Gilts or Corporate Bonds will often be held as part of an investment portfolio and would be considered a lower risk asset to hold.

Insurance or Investment Bonds

these are usually single premium investment products issued by insurance companies both onshore and offshore. These bonds can be invested cautiously or in a speculative manner. Investment bonds have the unique ability of offering a tax-deferred income, within prescribed limits and duration.

Investment bonds can be suitable for a whole range of investors and are frequently used in inheritance tax planning.

Other bonds such as Premium Bonds, Pensioner Bonds, Growth Bonds and Guaranteed Income Bonds may feature in client’s investments / savings portfolios.

Action

As you can see from this overview, different types of bonds are suitable for different financial situations and so it is important to understand that you hold the appropriate bond for what you want to achieve.

We even have our own [Bond – Matthew](#).

If you would like an assessment of your financial well-being including any bonds you may already hold, please contact us for an initial consultation