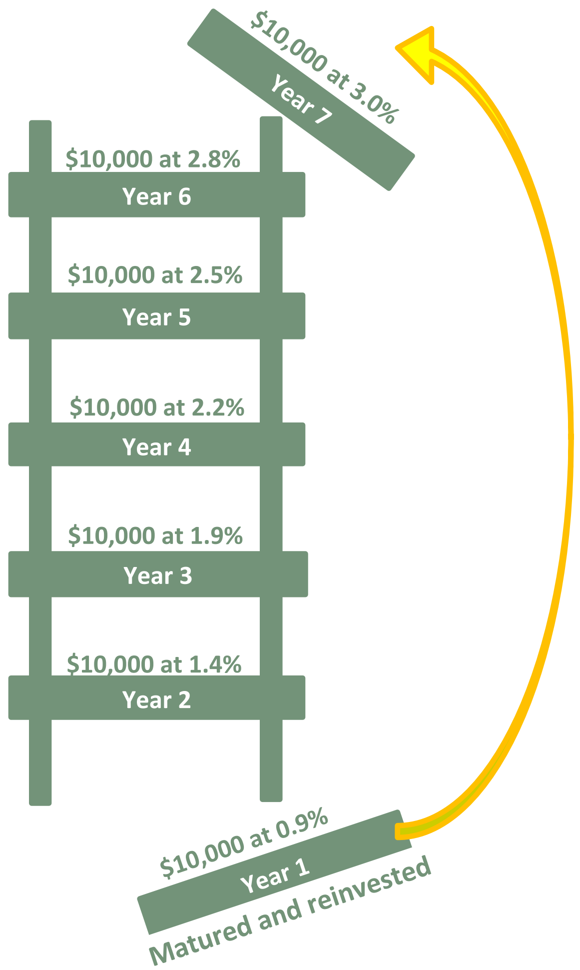
A Bond Ladder Overview

A bond ladder spreads investment dollars among bonds that mature at staggered intervals. These intervals are the "rungs" of the ladder, which are designed to help create a stream of income over time[1].

If interest rates rise, you may benefit from purchasing higher-yield bonds with the income from the bonds already in your ladder. If rates fall, bonds with future maturity dates would continue to be locked into the initial higher yields assuming they are not callable and the issuer does not default.



Hypothetical Bond Ladder*

In this hypothetical example, $60,000 is invested in six different maturities and yields. When a bond matures, the proceeds are used to purchase another bond and continue the "ladder" of bonds.

In normal interest rate environments, bonds with shorter maturities will yield less than longer maturities.

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The bond market is volatile, and fixed-income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed-income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties.

Any fixed-income security sold or redeemed prior to maturity may be subject to a loss.

A bond ladder, depending on the types and amount of securities within the ladder, may not ensure adequate diversification of your investment portfolio. While diversification does not ensure a profit or guarantee against loss, a lack of diversification may result in heightened volatility of the value of your portfolio. You must perform your own evaluation of whether a bond ladder and the securities held within it are consistent with your investment objective, risk tolerance and financial circumstances. To learn more about diversification and its effects on your portfolio, contact a representative at (800) 998-9773.

* These hypothetical reports are provided for educational purposes only. The hypothetical bond ladder is for illustrative purposes only.
1. Recurring income is subject to the credit risk of the issuer of the bond. If an issuer defaults, no future income payments will be made.

D.M. Kelly & Company does not provide tax or legal advice. You may want to consult an attorney or tax advisor regarding the portfolio of bonds you have identified before purchasing your ladder.