How ABR Compares with Other Investment Options

Certificates of Deposit
CDs have maturity dates that can last years, and you only receive your original principal back plus any accrued interest at maturity. Plus typical CD's pay around 3 percent interest (2019).

Money market accounts – While money is liquid, there are federal limits on withdrawals and you may also be required to pay account fees. Plus typical interest rates range from approximately 1.9 to 2.3 percent (2019).

Treasury Securities
Treasury bills have a maturity of one year or less. They are sold at a discount from their face value, and the government pays the face value at maturity. Treasury notes are issued for two, three, five, seven or 10 year terms. You earn fixed interest every six months and then face value upon maturity. Treasury bonds are issued with 30-year maturities, pay interest every six months and face value upon maturity. They are sold at auction with price and yield are determined at auction.

The value of these securities fluctuates is interest rates go up or down. If you try to sell your bond before maturity, you may experience a capital loss. The other challenge is the shorter the investment, the less the securities will return.

Government Bond Funds
Government bond funds are mutual funds that invest in debt securities issued by the U.S. government such as T-bills, T-notes, T-bonds and mortgage-backed securities issued by government-sponsored enterprises such as Fannie Mae and Freddie Mac. Bond funds are subject to interest rate fluctuations and inflation. Bond funds charge account fees that can be as high as 1 percent. Typical yields can range from 1.3 to 4 percent (2019).

Municipal Bond Funds
Municipal bond funds invest in a number of different municipal bonds. The risk is that individual bonds can default While not common, cities and states can become insolvent. Bonds may also be callable, meaning the issuer returns principal and retires the bond before the bond's maturity date. This results in a loss of future interest payments to the investor. The typical yield on "muni" bond funds is approximately 2.5 percent.

Short-Term Corporate Bond Funds
Corporations sometimes raise money by issuing bonds to investors. These typically have maturities of one-to-five years. But there is always the chance that companies will have their credit rating downgraded or run into financial trouble and default on the bonds. Typical rates range from approximately 1.98 to 2.98 percent, and you will also pay account fees.

Dividend-Paying Stocks
Some stocks pay dividends. Dividends are portions of a company's profit that can be paid out to shareholders, usually on a quarterly basis. But researching and buying individual stocks is better-suited for advanced investors because risk is concentrated, not diversified, and one should also be aware of a solid history of dividend increases rather than selecting those with the highest current yield.

High-Yield Savings Account
Similar to brick-and-mortar bank accounts, high-yield online savings accounts typically offer slightly higher yields, sometimes paying above 2 percent (2019).

Growth Stocks
Growth stocks tend to be made up of tech companies that are growing sales and profits quickly, such as Alphabet (parent of Google), Amazon and Apple. They tend to have high share prices, rarely make distributions and can be highly volatile. While they can offer high return over time, careful analysis is necessary to estimate which ones are poised to do well. Buying growth stocks is better suited for advanced investors because of potential volatility and the need to carefully analyze before buying.

Growth Stock Funds
Growth-stock funds can be good for beginners who want a broadly diversified portfolio. You can select an actively managed fund or choose passively managed funds based on a pre-selected index of growth stocks. While these can pay higher yields, they are still subject to volatility, and the ups and downs of the market (and the overall performance of the U.S. and world economies). Plus you will pay account fees.

S&P 500 Index Fund
Similar to growth stock funds (see above).

REITs
Real estate investment trust, which own, manage, and/or buy and sell real estate. Private REIT's care much more risk than publically traded REITs. REITSs are divided into subsectors (housing, hotel, data center, retail, commercial, etc.). A REIT's value can decline and there can be extreme volatility. You will also pay account fees.

Rental Housing
Rental housing requires investment, management, tenant relations and knowledge of applicable federal and state rental housing regulations. The market is subject to high geographic variability, can be highly volatile, and not liquid.

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