



Bonds & Costs

Costs and Markups is a factor that can strongly reduce your returns if not considered carefully. You should always seek to reduce your costs. The higher the cost or broker markup of your bonds the lower the return received. You should always consider the amount of time it takes fees, commissions, markups, and spreads to be exceeded by interest return. Each time you pay Bond trading costs they absorb your returns, which means more time lost in interest. Anytime you pay high expenses, you increase the amount of interest you need to reach your financial goals.

If you are actively trading bonds, you will also reduce your earnings since you are increasing the frequency of commissions and fees encountered. You can reduce fees and commissions by purchasing bonds at issue and holding bonds until they mature. This works well with sovereign bonds, since you can buy them directly from the issuing government without commissions, markup, or fees.

An additional note about cost: Always use the FINRA trace system, or equivalent for your nation and region. These systems let you review recent purchase and sale prices. Any system which reports recent trading values will help you avoid unnecessary markups many brokers try to pass on to their clientele.