SCARSDALE Investment Group

The Unbeaten Path to Secure Investment Growth

A 24-YEAR BUYING OPPORTUNITY IN BONDS

By Stan Richelson and Hildy Richelson October 13, 2026

Key Take Aways:

- If you are planning for retirement or in retirement, secure cashflow is essential to your wellbeing.
- If you treat bonds like stocks, they do not provide a hedge to your stock portfolio.
- If you buy 2-year short-term bonds to protect against potential bond losses, you have failed Bond 101.
- Bond prices fluctuate. Owning individual bonds means you do not have to realize those losses.
- If you hold bonds to maturity or to call, you will eventually receive the face value of the bonds you purchased.

Planning for retirement? In retirement? Secure cash flow to fund your desired lifestyle should be paramount in your investment planning. Secure and cash flow need to be united. Too often you might see good cash flow and forget to focus on its long-term reliability.

When do falling valuations signal a buying opportunity? Bonds are currently at a 24-year high. If you own a bond portfolio, you can tell how much the value of bonds has fallen by looking at your account. In most cases, when you see losses, you might refrain from purchasing more assets. However, for investors whose objective is to create cash flow to build an individual bond income stream alternative to a salary, this is a buying opportunity.

Would you rather have a 4% cash flow from your $100,000 = $4,000 per year, or 5% cash flow from the same assets netting $5,000 per year? The answer is obvious.

Mainstream media will tell you that the value of bonds has dropped, and this is a dubious time to be buying. Since most people invest in bonds through bond funds, this has some validity. Bond funds are quasy-stock funds because the bonds in the portfolio never come due. ETF or bond fund managers must maintain a fixed bond maturity/call range defined by what they call duration. Duration defines how much a bond's price will move with a 1% change in value. Therefore, bonds in the funds are traded before they come due to keep the fund's assets within a specified range. Everyday the fund's values are repriced. There is no reason to believe that you will ever recover your principal – the money you used to buy the fund shares –if interest rates have risen and bond prices have declined.

Individual bonds also will fluctuate in price. The brokerage houses financial statements clearly show current gains and losses. They are looking to encourage you to trade your bonds. They are trying to blur the lines between equities (stock) and bonds. If you trade stocks, why not also trade bonds?

The savants will tell you that they can capture opportunities and mitigate risks. They encourage investments in ultrashort duration funds, which don't have an obligation to maintain the value of a dollar like a money market fund.

Also called *enhanced funds,* they own floating rate securities, whose interest is periodically reset. They may be called adjustable rate, variable rate, short term, capital preservation or have "ultrashort" in the name.[i]

Bonds have one distinct feature that stocks, bond mutual funds and bond ETFs do not have. They have a fixed maturity date and usually a fixed call date as well. The call date enables the issuer to redeem the bonds before the maturity date at par (1,000 per bond). The maturity date is a fixed date that results in the return of the face value of the bonds.

The market may be selling bonds with an interest rate of 5% and you own bonds bought during Covid with a rate of 3%. The market value of those

bonds might be quite depressed. However, if the issuer decides to call the bonds or the bonds come due, you are paid $1,000 for each bond. Bonds with lower coupons are sometimes called, even in a high interest rate scenario.

Bonds also pay interest regularly, which can be reinvested at higher rates, somewhat offsetting the drop in price.

LIMRA (Life Insurance Marketing and Research Association) states that :

Nearly nine in ten Americans approaching retirement have thought about how they will generate income once their paychecks stop, but half of them have no recently updated plan for doing it.[ii]

If you want to generate income once a paycheck stops, buying high-quality individual bonds fits the bill. Your advisor might counsel against this because they will have a hard time justifying their fees. Bonds are called “dead money” because the investment can be outstanding for many years, denying advisors the opportunity to turn the investment and generate commissions.

If you have a goal to generate income, you can purchase tax-exempt bonds – free of federal and possibly state and local taxes - issued by high-quality issuers to cushion any personal or market shocks. It requires faith, patience and discipline.

The key is to not be lured into the trap of believing You Can Outperform. The temptations are everywhere. The financial press and media are constantly touting higher returns can be had by investing in the product du jour. You may come to feel that you won’t keep up with your peers if you don’t trade. This is despite years of evidence that the active investor will fail. However, even this misses the point.

The critical issue is that “outperformance” isn’t a financial goal. An income we don’t outlive in a three-decade retirement full of dignity and

independence: that's a financial goal. Meaningful legacies to our children, delivered in tax-efficient ways, are a financial goal.[iii]

Bonds don't generate fees for financial advisors because there need not be any turnover. If you are market driven, and your investments are not keeping up, it may set up a downward spiral of fund switching, short-term trading and rapid portfolio turnover – generating lots of fees and reducing your return.

Let it be remembered that turnover correlates negatively with return on your investment.

[i] Hildy Richelson and Stan Richelson. BONDS: The Unbeaten Path to Secure Investment Growth, NJ: John Wiley & Sons, 2011, p.363
[ii] Investmentnews.com. "Pre-retirees want guaranteed income, but advisors aren't excited to deliver" IN 30.04, p. 39 September 2026.
[iii] Nick Murray. "The Temptation of Outperformance," Financial Advisor Magazine, Sept/Oct 2026, p.17