

MANAGING YOUR MONEY

Offset Interest Rate Risk In Your Bond Portfolio

by Patrick Kelly

(NAPSA)—Whether interest rates rise or fall, financial experts agree that an age-old technique called “bond laddering” may help people improve their investment returns over time.

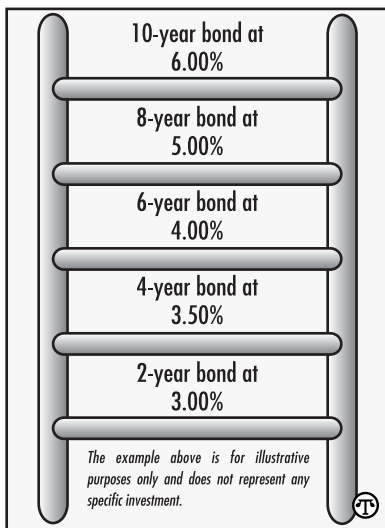
Bond laddering provides investors with a strategy to minimize the effect of changing interest rates by diversifying their bond portfolios by type and term. By allocating their bond investments over different maturities (one-year, two-year, etc.), investors avoid having their entire bond portfolio locked into one rate for a long period of time.

Here’s how it works: Investors allocate equal sums of money into securities maturing in, for example, two, four, six, eight and 10 years. In two years, when the first bonds mature, those funds are reinvested in a 10-year maturity—thus maintaining the ladder.

As each bond matures, and if interest rates rise, investors would have the opportunity to reinvest the shorter-term maturities at a higher rate; and if interest rates fall, then only a portion of the funds would be invested at a lower rate. In short, bond laddering offsets the interest rate risk of investing in bonds of one maturity and removes the mystery of relying on market timing.

Any type of bond can be used in a ladder. However, investors looking for investment-grade corporate bonds can purchase a new type of bond, designed specifically for the retail investor, called LaSalle Direct Access Notes, or DANs. The notes are sold by prospectus only and are available in \$1,000 denominations. They are priced at par and with a wide variety of maturities and coupon payment dates.

Most DANs also offer a survivor’s option, which allows the



A bond ladder may help investors avoid being locked into low interest rates for a long term.

estate of a deceased holder to redeem the bonds at par. DANs are issued weekly.

Corporations issuing bonds within the DANs program include General Motors Acceptance Corporation, Caterpillar Financial Services Corporation, United Parcel Service, Inc., Freddie Mac, Tennessee Valley Authority, LaSalle Funding LLC, International Business Machines Corporation, John Hancock Life Insurance Corporation, SLM Corporation, International Lease Finance Corporation and American General Finance Corporation.

DANs are available through a network of over 500 broker-dealers throughout the U.S. For more information, ask your broker or financial advisor, or—to build your own bond ladder—visit www.LaSalleDANs.com.

• *Mr. Kelly is Senior Vice President and Managing Director of LaSalle Broker-Dealer Services.*