Unit 7 Discussion

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Annuities and Loans

Treasury bills and Treasury notes both are considered as the safest and secured investments because these are issued by the US government. The difference between the two forms of investments is that of liquidity. T-bills have a maturity time period of almost one year of less while T-notes have the maturity of almost 10 years (“Institutional- The Basics of Treasury Securities,” n.d.). I will not simply decide on making an investment of $50,000 with a timeframe of 9 years in a Treasury bill or Treasury note. Before making any decision I would consider different factors to determine what suits best for me and my needs as an investor. The first thing to note here is that treasury bills have a maturity period of almost less than a year. These bills are generally sold as a discount value from the par value and the government is bound to pay the difference of face value and purchase prices i.e. the interest earned on the bill. Considering the short-term maturity on the T-bills they offer lower yields as compared to the T-notes.

I would prefer to invest in T-notes considering the fact that they are long-term investments and my investment is nine years. In addition, the interest earned from the treasury notes is released from the income tax. As a result of the after-tax yield increases. In addition, there is also an added benefit of selling the t-note before maturity in case the investor needs money. Reselling can also result in the profits if the interest rate has declined after purchasing the Treasury note. The time period of a T-note which is of generally 10 years is considered as the benchmark for the treasury market. I believe I would be able to obtain a larger yield over a period of nine years.

# References

Institutional-The Basics of Treasury Securities. (n.d.). Retrieved July 20, 2019, from https://www.treasurydirect.gov/instit/research/faqs/faqs\_basics.htm#what