



AUTO ENROLMENT IN BLACK + WHITE

What is a Corporate Bond?

A Corporate Bond is a form of a loan (or an “IOU”) and is used by the borrower (“debtor”) to raise money. This money can be used to finance long-term investments or in the case of Government Bonds, to finance current expenditure.

Interest is payable a fixed-intervals (half yearly, annually and sometimes monthly).

Bonds are classed as **securities** like stocks and shares. However, the major difference between the two is that stockholders have an equity stake in the company (i.e., they are owners), whereas bondholders have a creditor stake in the company (i.e., they are lenders).

Being a creditor, bondholders have priority over stockholders. This means they will be repaid in advance of stockholders, but will rank behind secured creditors in the event of bankruptcy.

Bonds usually have a defined term, or maturity, after which the bond is redeemed.

