



# Are You Pursuing Long-Term Goals with a Short-Term Strategy?

Tax-Free Income

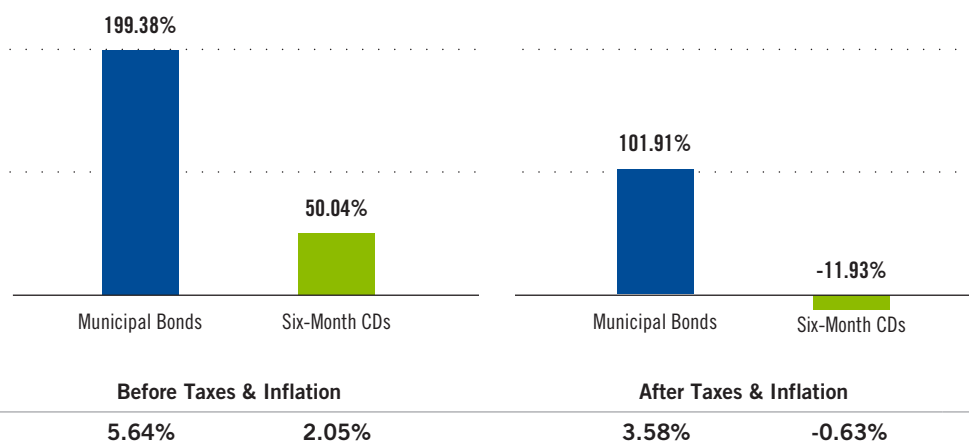
## Consider the Long-Term Return Potential of Municipal Bonds

While traditional bank-issued certificates of deposit (CDs) can be useful short-term investment vehicles, inflation can diminish their appeal over longer periods. If you're a long-term investor, you may want to consider municipal bonds to potentially help stay ahead of inflation *and* reduce your tax burden. As illustrated below, municipal bond returns were significantly higher, particularly if you consider the returns after taxes and inflation, than those for six-month CDs over the 20-year period ended June 30, 2019.<sup>1</sup>

### HISTORICALLY COMPETITIVE LONG-TERM RETURNS<sup>1</sup>

#### Municipal Bonds vs. Six-Month CDs

Cumulative Total Returns (20-Year Period Ended June 30, 2019)



*This chart above is for illustrative purposes only and does not represent the past or future performance of any Franklin Templeton tax-free income fund. Sales charges, fees and expenses are associated with Franklin Templeton tax-free income fund investments. These fees and expenses reduce investment returns.*

### BEFORE YOU INVEST

Keep in mind that CDs are insured by the Federal Deposit Insurance Corporation (FDIC) for up to the current maximum limit of \$250,000 and offer a fixed rate of return.<sup>2</sup> On the other hand, municipal bond prices, and thus a municipal bond fund's share price, generally move in the opposite direction of interest rates. As the prices of bonds in a fund adjust to a rise in interest rates, the fund's share price may decline. When redeemed, the fund's shares may be worth more or less than their original cost. These and other risks are detailed in a fund's prospectus.

1. Municipal Bonds reflect the long-term component of the Bloomberg Barclays Municipal Bond Index. Six Month CDs reflect the Federal Reserve Bank National Rate on Non-Jumbo Deposits (less than \$100,000). Sources: Morningstar. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). **Past performance does not guarantee future results.** Investment income is taxed at historical marginal tax rates consistent with those experienced by individuals earning \$100,000 annually. After-tax returns for municipal bonds assume a 20% annual turnover rate transacted monthly. Capital losses are carried forward to offset capital gains in future months. Distributions of capital gains are generally taxable. Effective tax rates for long-term taxable gains are as follows: December 1997–May 2003=20%; June 2003–December 2018=15%. For investors subject to the alternative minimum tax, all or a portion of the investment may be taxable. After-tax returns are adjusted for inflation using the monthly Consumer Price Index (CPI) with the results being the after-tax real return. CPI represents the rate of inflation in U.S. consumer prices as determined by the U.S. Bureau of Labor Statistics.

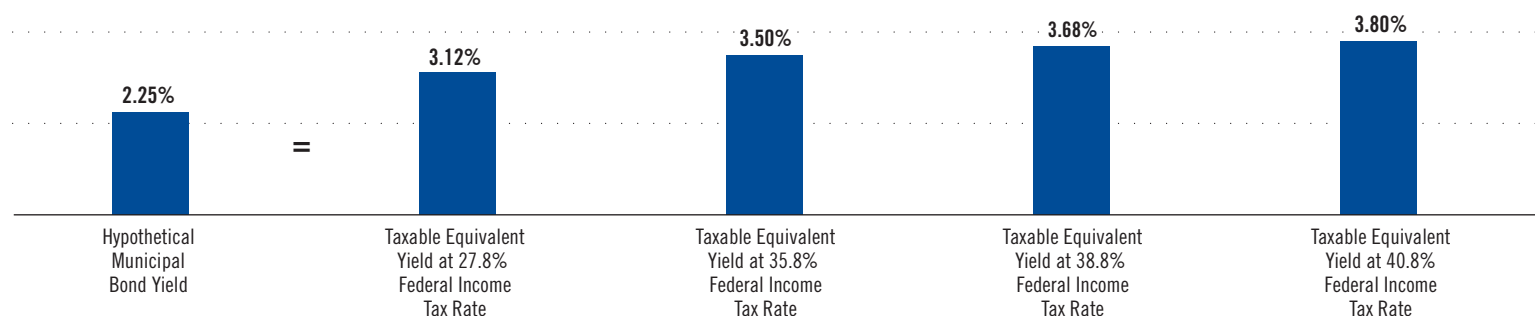
2. For more details on FDIC insurance, please consult the FDIC website or ask a representative at your bank.

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

## TAX-FREE EARNINGS

Income from municipal bonds is generally free from regular federal, and in many cases state and local income taxes depending on the investor's state of residency.<sup>3</sup> In contrast, interest earned from CDs is taxable. A municipal bond's taxable equivalent yield shows how much you would have to earn from a taxable investment (such as a CD) to compensate for taxes, in order to equal or exceed the hypothetical tax-free yield from a municipal bond.

### Municipal Bonds Can Offer Attractive Taxable Equivalent Yields<sup>4</sup>



*This chart above is for illustrative purposes only and does not represent the past or future performance of any Franklin Templeton tax-free income fund. It does not reflect state and local income taxes and the alternative minimum tax, if any. There is no guarantee that after-tax returns of municipal bonds will be greater than those of taxable investments.*

## DO FRANKLIN TAX-FREE INCOME FUNDS HAVE A PLACE IN YOUR PORTFOLIO?

Franklin tax-free income funds invest in municipal bonds. The funds seek to provide monthly income free from regular federal, and depending on the fund and the investor's state of residency, state and local income taxes.<sup>5</sup> We encourage you to work with your financial advisor to determine if these funds are the right choice for you.

*All investments involve risks, including possible loss of principal.*

*Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236, or visit [franklintempleton.com](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

3. For municipal bond investors subject to the alternative minimum tax, all or a portion of the investment may be taxable, depending on the investment. Distributions of capital gains are generally taxable.

4. Tax rates are based on regular federal income tax rates for married filing joint taxpayers for 2019 and include the 3.8% Medicare tax applicable to the 24% and higher federal tax rates.

5. For Franklin tax-free income fund investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.



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