What is a bond?

A bond is a loan. When an investor buys a bond, they are loaning their money to the bond issuer. Every bond has a purchase price (most bonds sell for $1,000), an interest rate, a repayment schedule and a maturity date. The bond will pay back principal, plus the stated interest rate to the bond buyer, per the stated schedule, until the loan has been repaid.

Loans/bonds are less risky than stocks because if the bond issuer goes out of business, the bond holders are creditors and can recoup some of their investment via the bankruptcy process.

The lowest risk bonds are those issued (sold) by the U.S. Government because they are backed by the full faith and credit of the United States. Because of the safety of these bonds, the interest rates are low. Public companies aren't backed by the full faith and credit of the U.S. Government, so in order to entice investors to buy their bonds, and assume additional risk they must offer a greater reward with a higher interest rate.