U.S. Savings Bonds

Savings bonds are securities issued by the U.S. Treasury Department. They provide funding dollars for the U.S. government, and in return for using your money, the government pays you interest.

Here are some key features of savings bonds:

- Savings bonds are considered a safe and trustworthy investment because they are backed by the full faith and credit of the U.S. government
- They are a lower-risk investment
- You can buy them for as little as $25 or $50
- You can buy them online at TreasuryDirect.gov
- There are different types of savings bonds; the most recent and one of the most popular types is the I bond

I Bonds

I bonds provide an interest rate of 2.22%, and this rate is good through April 30, 2020. Part of the interest rate is tied to the inflation rate. It is set using a combination of two separate rates: 1) a fixed rate of return that remains the same for those bonds, and 2) a variable inflation rate that can change every six months. This is why I bonds are also called inflation-protected. The U.S. Treasury announces a new rate each May 1 and November 1. I bonds earn interest each month, and the interest is compounded every six months. You can earn interest on them for as long as 30 years.

Purchasing I Bonds:

- I bonds are sold at face value. For example, you pay $50 for a $50 bond.
- The maximum purchase per calendar year is $10,000 for electronic purchases via TreasuryDirect.gov, and $5,000 per calendar year in paper bonds purchased with an IRS tax refund. You can file an IRS Form 8888 with your tax return in order to receive all or a portion of your tax refund in I bonds.
- The minimum purchase is $25.

Cashing in I Bonds:

- When you cash in I bonds, you will receive the amount you paid for them, plus all of the interest they have earned. You will not owe state or local taxes, but you will owe federal income tax on the interest earned.

Find out more at: www.wiserwomen.org
You can cash them in any time after 12 months. However, if you cash them in before you have had them for 5 years, you will lose out on at least 3 months of interest. After 5 years, you can cash them in without losing the interest.

I bonds earn interest for up to 30 years. After that, you should cash them in, because they will not earn any additional interest. The earned interest will be taxed the year they mature whether you cash them in or not.

These options to cash out, along with the inflation-protection, are why I bonds may be an especially good option for anyone with limited savings who may worry about putting money into an investment that they can’t easily cash out if needed for an emergency.

**EE Bonds**

EE bonds provide an interest rate of 0.10%, and this rate is **good through April 30, 2020**. They earn the same rate of interest (a fixed rate) for up to 30 years. When you buy the bond, you know what rate of interest it will earn. The U.S. Treasury announces a fixed rate each May 1 and November 1 for new EE bonds.

**How the fixed interest rate works:**

- EE bonds you purchased between May 1997 and April 30, 2005, earn a variable market-based rate of return.
- EE bonds purchased on or after May 1, 2005 will lock in the fixed purchase rate for the life of the bond.
- EE bonds earn interest every month and the interest is compounded every 6 months.
- EE bonds earn interest for 30 years.

**Purchasing EE Bonds:**

- EE bonds are sold at face value. For example, you pay $25 for a $25 bond.
- You can buy up to $10,000 of EE bonds per calendar year.
- The minimum purchase is $25.

**Cashing in EE Bonds:**

- When you cash them in, you will receive the amount you paid for them, plus all of the interest they have earned. You will not owe state or local taxes, but you will owe federal income tax on the interest earned.
- You can cash them in any time after 12 months. However, if you cash them in before you have had them for 5 years, you will lose out on at least 3 months of interest. After 5 years, you can cash them in without losing the interest.

**HH Bonds**

HH bonds are no longer available, but anyone who currently has an HH bond can keep it until it matures. Since these bonds were no longer available as of September 1, 2004, and they can mature for up to 20 years, the last of these bonds will mature in 2024. When they were available, you could exchange EE bonds for HH bonds. Unlike EE bonds, HH bonds are “current-income securities.” You
paid face value, and receive interest payments by direct deposit to your checking or savings account every 6 months until maturity or redemption.

**How Do You Purchase Savings Bonds?**
Some people may remember being able to go into a bank or other financial institution to purchase savings bonds. In January 2012, however, the government stopped issuing paper bonds. You can only purchase saving bonds electronically now by setting up an account at TreasuryDirect.gov, a U.S. Treasury website. You can also set it up to make regular savings bond purchases through automatic deductions from your checking or savings account.

You can also receive part or all of your tax refund in the form of a savings bond by filling out an IRS Form 8888 with your tax return. This is the only means by which the government still issues paper bonds.

**TreasuryDirect Payroll Savings Option**
- Your employer establishes a direct deposit deduction from your paycheck in the amount you request.
- The funds will accumulate in a TreasuryDirect account until you make a savings bond purchase. This account does not earn interest until you purchase the savings bond(s).
- When you decide to buy a bond, you choose the type of bond, the face value, how you want the bonds to be made out, and when you want the bond to be issued.

**Tax Advantages**
- Interest earned on all U.S. savings bonds is exempt from state and local income taxes.
- You can defer federal income tax until you redeem the bonds, or they stop earning interest after 30 years.
- Since your interest is not taxed until you redeem a bond, your savings grow faster.
- There are also special tax benefits available for education savings. If you qualify, you can exclude all or part of the interest earned on Series EE and I bonds from income when the bonds are redeemed to pay for post-secondary tuition and fees. (See Guidelines & Restrictions at [http://www.treasurydirect.gov/indiv/planning/plan_education.htm](http://www.treasurydirect.gov/indiv/planning/plan_education.htm))

**For additional information:**
Additional information about savings bonds is available online at [www.treasurydirect.gov](http://www.treasurydirect.gov), or by calling their information line at 844-284-2676.