

SERIES I SAVINGS BOND BASICS

NEWS: The current annual interest rate on Series I savings bonds is 9.62 percent. You can buy I bonds at that rate through October 2022.

KEY FACTS: I bonds can be purchased through October 2022 at the current rate. That rate is applied to the initial 6 months after the purchase is made. For example, if you buy an I bond on July 1, 2022, the 9.62% annual rate would be applied through January 1, 2023. Interest is compounded semi-annually.

REMEMBER! An individual can only purchase up to \$10,000 in electronic I bonds each calendar year plus \$5,000 in paper I bonds using a federal income tax refund. If you attempt to buy an amount of I Bonds exceeding the electronic limit, you will receive a refund, which may take up to 16 weeks.

What's an I bond?

It is a savings bond issued by the United States Treasury that earns interest based on both a fixed rate and a variable rate that is set twice a year tied to inflation (i.e., the CPI – Consumer Price Index). The bond earns interest for up to 30 years or until it is cashed in, whichever comes first.

What's the interest rate on an I bond you buy today?

Bonds purchased between now and October 1, 2022 will earn interest, at an annual rate of **9.62 percent**. A new rate will be set every six months based on the latest inflation rate.

Who may own an I bond?

Individuals	<p>If they have a Social Security Number and meet any one of these three conditions:</p> <ul style="list-style-type: none">■ United States citizens, whether they live in the U.S. or abroad■ United States residents■ Civilian employees of the United States, no matter where they live <p>To buy and own an electronic I bond, a treasurydirect.gov account must be opened first.</p>
Children under 18	<p>Yes, if they meet one of the conditions above for individuals.</p> <p>Information concerning electronic and paper bonds:</p> <ul style="list-style-type: none">■ Electronic bonds in Treasury Direct. A child may not open a Treasury Direct account, buy securities in Treasury Direct, or conduct other transactions in Treasury Direct. A parent or other adult custodian may open for the child a Treasury Direct account that is linked to the adult's Treasury Direct account. The parent or other adult custodian can buy securities and conduct other transactions for the child.■ Paper bonds. Adults can buy bonds in the name of a child, using part or all of their federal refund.
Trust, estate, corporation, partnership and some other entities	<p>Electronic bonds (in Treasury Direct): Yes</p> <p>Paper bonds:</p> <ul style="list-style-type: none">■ Trusts and estates: In some cases, Yes■ Corporations, partnerships, other entities: No



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How can I buy I bonds?

Two options:

- Buy them in **electronic** form at treasurydirect.gov.
- Buy them in **paper** form using your federal income tax return refund and by completing form 8888 (Please note that you must be receiving a federal tax refund to buy bonds in paper format.)

What determines who owns an I bond and who can cash it?

The name of the registered owner of the bond at time of purchase determines who can cash it. This includes the name of the owner (either a person or entity), the Taxpayer Identification Number, and if applicable, the second-named owner or beneficiary.

What do I bonds cost?

The minimum purchase amount is \$25 for an electronic I bond and \$50 for a paper I bond. You pay the **face value** of the bond. For example, you pay \$50 for a \$50 bond. (The bond increases in value as it earns interest.)

Electronic I bonds can be purchased in any amount to the penny from \$25 to \$10,000. For example, you could buy a \$50.23 bond.

Paper bonds are sold in five denominations: \$50, \$100, \$200, \$500, \$1,000

How much in I bonds can I buy for myself?

In a calendar year, you can acquire:

- up to \$10,000 in electronic I bonds at treasurydirect.gov
- up to \$5,000 in paper I bonds using your federal income tax refund

Two points:

- The limits apply separately, meaning you could acquire up to \$15,000 in I bonds in a calendar year
- Bonds you buy for yourself and bonds you receive as gifts or via transfers count toward the limit. Two exceptions:
 - If a bond is transferred to you due to the death of the original owner, the amount doesn't count toward your limit
 - If you own a paper bond issued before 2008, you can convert it to an electronic bond in your account in TreasuryDirect.gov regardless of the amount of the bond. (The annual limit before 2008 was greater than today's limit of \$10,000.)

Can I buy I bonds as gifts for others?

Yes.

Electronic bonds: You can buy them as gifts for any treasurydirect.gov account holder, including children.

Paper bonds: You can buy bonds in the names of others, but can only do so when you file your federal income tax return and only using the income tax refund which you are due. You will need to complete IRS Form 8888 and submit it with your income tax return. You do not need to open a Treasury Direct account. When your tax return has been processed, the paper bonds will be mailed to you and you can give the bonds as gifts.

How much in I bonds can I buy as gifts?

The purchase amount of a gift bond counts toward the annual limit of the recipient, not the giver. So, in a calendar year, you can buy up to \$10,000 in electronic bonds and up to \$5,000 in paper bonds for each person you buy for.

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When is interest paid on I bonds?

Interest is earned on the bond every month. The interest is compounded semi-annually, every six months calculated from the date of purchase. This means that the interest earned in the previous six months is added to the bond's principal value; then, interest earned for the next six months is calculated on the adjusted principal value. The interest rate paid is adjusted every six months based on the underlying fixed rate and inflation rate. Thus, if inflation continues to increase, the interest rate paid could be higher than it is today, and if the inflation rate lowers, the interest rate paid could be lower than it is today. Interest is not paid to the bondholder until the bond matures or it is cashed in, whichever comes first.

Are I bonds taxable?

Interest earned on I bonds is subject to federal income tax, but is not subject to state and local income taxes. Interest will not be taxable until the I bond reaches maturity or until it is cashed in, whichever comes first. However, the bondholder may make an election to report and pay taxes on the interest earned annually instead of waiting until maturity or the bond is cashed in; however, even when the election is made, interest is not actually paid out to the bondholder until maturity or the bond is cashed in.

How long must I keep an I bond?

I bonds purchased today have a maturity of 30 years and will earn interest, as adjusted semi-annually, for up to 30 years unless the bond is cashed in earlier. I bonds must be held for a minimum of one year. Treasury Direct will not cash them in earlier. If an I bond is cashed in before five (5) years from the purchase date, you lose the previous three (3) months of interest. For example, if you cash in an I bond after two years, the bond will accrue and pay 21 months of interest instead of 24 months.

This explanation of I bonds is for educational and informational purposes only and does not constitute a recommendation. I bonds are not necessarily suitable for everyone. To learn more about the strategies and investments mentioned and if they are suitable for you, consult an appropriate professional before implementing them. Investing involves risks and investors may incur a profit or loss regardless of the strategy selected.

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