

Money Matters

July 2009: Savings bonds

When it comes to building your future...Money Matters!



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Savings Bonds – A Tried and True Safe Investment

Did you ever get a savings bond for your birthday when you really wanted a new video game? Maybe Grandma knew something about saving.

When the government borrows money, it issues an "IOU". Series EE and Series I savings bonds are IOUs. You can buy a **Series EE** bond for as little as \$25 and when you redeem it (cash it in) it might be worth \$50! How much you get depends on how long you hold it and what interest rate you get. **Series I** bonds are similar, but the interest rate is tied to inflation.

Benefits

Since savings bonds are backed by the US government, your principal is protected. You pay federal income tax on the earnings when you redeem the bond, but earnings are exempt from state and local income taxes.

Keep in Mind

You can't cash them in within the first year and would suffer a penalty if you redeem them within the first 5 years. Interest accrues until redemption, but not beyond the final maturity date. Savings bonds can be purchased at a bank, credit union, or through Treasury Direct.

<http://www.treasurydirect.gov/indiv/indiv.htm>

Grandma definitely knew about saving; she matched her investment to her goal. Savings bonds aren't for everyone, but if you are looking for safety of principal, a chance at some tax savings, and have around 5 years, a savings bond can be a good fit.



Helping You Achieve What Matters Most

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