



Series I Savings Bond FAQ

? What are US Series I Savings Bonds and how do they work?

Series I bonds are sold at face value (a \$50 bond costs \$50). You can buy Series I Bonds with all or a part of your tax refund directly in the tax filing process using IRS Form 8888. Savings bonds are:

- *Easy:* You can buy a bond with as little as \$50. You can give them as gifts and you can cash them in at most banks and credit unions for free. You do not need a bank account to buy bonds with your tax refund.
- *Competitive:* They are currently (through April 2020) paying **2.22%** interest and have **no fees**.
- *Safe:* They are protected by the government and replaced if lost/stolen
- *Longer-term:* They accumulate interest for 30 years and you need to hold them for at least 12 months.

? How much will it grow? How does the interest rate work?

The current interest rate of the Series I Savings Bond is 2.22%. It will change on May 1, 2020. The rate changes every six months. Since 1998, the average rate of Series I bonds has been 3.58%.

Interest accrues (grows) monthly and is compounded every six months, which means you earn interest on both the principal AND the interest accrued from the previous 6 months.

? Can I ever lose money on a Series I US Savings Bond?

No. A \$50 bond will never be worth less than \$50.

? How do I cash in my Savings Bond?

Savings bonds can be redeemed at most bank and credit unions for free. They will certify your signature and you will be asked for ID, but you do not need to have an account with that bank or credit union.

You can redeem a portion of your bonds. The minimum amount you can redeem at one time is \$50 and the maximum is \$1,000.

? Will I get the paper bond when I file my taxes or do I have to wait?

Your paper bond will be mailed to you in 3-5 weeks.

? When can I cash in my Savings Bond?

Series I Bonds are longer-term investments. You can redeem your Series I bonds anytime after 12 months. However, if you redeem your bond before 5 years, you will lose the last 3 months' interest. For example, if you redeem after 18 months, you'll receive only the first 15 months of interest. You will still make money on the bond because interest accrues every month, but you lose the last 3 months of growth. If you redeem after 5 years, you receive the full value of the bond.

? How do I know how much my bonds are worth?

You can look up the current value of your savings bonds online at <http://www.treasurydirect.gov/BC/SBCPrice>.

? What are my options for buying savings bonds as a gift?

Purchasing a bond as a gift for a child or someone else is easy. All you need is the person's name and the bond will be mailed to you with his or her name on it.

You can also add a co-owner or beneficiary for each bond. The co-owner shares the legal ownership of the bond, while the beneficiary is the person who receives the bond in the case of the owner's death.

A child who is old enough to sign his or her name can go to a financial institution with an adult and sign the bonds. If a child isn't old enough to sign, his or her parents can sign for the child.

? How do the taxes work?

You do not pay taxes on the principal of the bond. You will be taxed on the interest earned from the bond either when you cash it in or when the bond matures, whichever comes first.

You will have to pay federal income taxes, but not state or local income taxes. You may avoid paying taxes on the earned interest if you use the bond to pay for education expenses. To learn more about this, see IRS Publication 970 <http://www.irs.gov/publications/p970/ch10.html>.

? What happens if I lose my Savings Bond?

The Bureau of the Fiscal Service (BFS) is authorized to replace lost, stolen, or destroyed I Bonds. You'll need to complete IRS Form 1048, which is downloadable from www.treasurydirect.gov. Bonds are only reissued in electronic form.