

## QUESTIONS AND ANSWERS ABOUT DEFINITIVE SERIES I SAVINGS BONDS

### GENERAL

**Question:** *What is the Series I Bond?*

**Answer:** The Series I Bond is an accrual type savings bond similar to the Series EE Bond but issued at face value with a 30-year final maturity - a 20-year original maturity period immediately followed by a 10-year extended maturity period. Series I Bond interest earnings are inflation-indexed designed to protect investors' purchasing power and they also earn a guaranteed real rate of return.

**Question:** *How are Series I Bond earnings determined?*

**Answer:** A Series I Bond's earnings rate reflects a combination of a semiannual inflation rate, the percent change in the Consumer Price Index for All Urban Consumers (CPI-U) over a 6-month period, and a fixed rate set by the Secretary of the Treasury. A Series I Bond's fixed rate does not change over the life of the bond. The inflation rate is a variable rate that will change throughout the life of the bond. Both rates are announced each May and November.

**Question:** *When can a Series I Bond be redeemed?*

**Answer:** All Series I Bonds with issue dates prior to February 2003 became eligible for redemption six months from the issue date. Bonds with issue dates of February 2003, and later, are eligible for redemption one year from the issue date. However, if a bond is redeemed within the first 5 years after its issue date, any interest earned during the last 3 months will be forfeited. Once a Series I Bond is 5 years old, there is no interest penalty for redemption.

**Question:** *Can you determine what the value of a Series I Bond will be in future years?*

**Answer:** No. Although a Series I Bond's fixed rate remains the same throughout the bond's life, the semiannual inflation rate can vary. You can count on a Series I Bond to hold its value; that is, the bond's redemption value will not decline.

**Question:** *What is the inflation rate?*

**Answer:** The inflation rate is the percent change in the CPI-U over a 6-month period ending prior to May 1 and November 1 of each year. For example, the earnings rate announced on May 1 reflects an inflation rate from the previous October through March.

**Question:** *Will the value of the bond decrease during periods of deflation, when the CPI-U declines?*

**Answer:** Even if the percent change in the CPI-U is negative (deflation), it will be used to calculate the earnings rate. But, if the amount of deflation is more than the fixed rate, the bond will hold its value - the bond's redemption value will not decline.

**Question:** *What are some other features of Series I Bonds that make them different from the Series EE Bonds?*

**Answer:** Although the Series I Bond's physical dimensions and the placement of data are the same as for Series EE Bonds, the colors, background, and portraits are distinct from those on Series EE Bonds. Also, reissue transactions are limited.

**Question:** *Which denominations of I Bonds are available and whose portraits are on Series I Bonds?*

- Answer:**
- **\$50 Helen Keller** - Noted author and advocate for the deaf and blind; responsible for Braille becoming the standard for printed communications for the blind.
  - **\$75 Dr. Hector P. Garcia** - Physician; leading advocate for Mexican-American veterans' rights; activist in Latino Civil Rights movement and founder of the American G.I. Forum.
  - **\$100 Dr. Martin Luther King, Jr.** - Leader of American Civil Rights movement; recipient of Nobel Peace Prize; minister.
  - **\$200 Chief Joseph** - Regarded as one of the greatest Native American peacemakers; best known for his efforts to return with his Nez Perce people to the land of their ancestors.\*
  - **\$500 General George C. Marshall** - U.S. Army Chief of Staff during World War II; noted for Marshall Plan for post war global economic recovery; statesman; recipient of the Nobel Peace Prize.
  - **\$1,000 Albert Einstein** - Theoretical physicist of the 20th century; best known for his formulation of the theory of relativity; recipient of Nobel Prize in Physics.
  - **\$5,000 Marian Anderson** - Renowned opera singer; first African-American to join the Metropolitan Opera.
  - **\$10,000 Spark M. Matsunaga** - Senator from Hawaii; long-standing champion of research and development of renewable energy; advocate of peace through nonviolence; attorney.\*

\* The \$200 and \$10,000 denominations were not available prior to May 1999. Beginning January 2008, the \$10,000 bond will no longer be available for purchase.

**Question:** *Why did the Treasury offer the Series I Bond?*

**Answer:** The Series I Bond was offered to encourage more Americans to save for the future while protecting their savings against inflation, preserving purchasing power for the future.

**Question:** *What are some tax advantages of the Series I Bond?*

**Answer:** The same tax advantages that apply to Series EE Bonds apply to Series I Bonds. Earnings are exempt from both state and local income taxes and federal income taxes can be deferred until redemption, final maturity (30 years after issue date), or other taxable disposition, whichever occurs first.

**Question:** *Where can I buy bonds?*

**Answer:** Any financial institution offering Series EE Bonds is also able to offer Series I Bonds. Series I Bonds are also available for purchase through payroll savings plans of employers who choose to offer them.

**Question:** *How long will my I Bond earn interest?*

**Answer:** I Bonds earn interest for up to 30 years.

**Question:** *Is there a tax advantage for I Bonds used for college tuition?*

**Answer:** Yes. If you qualify, you can exclude all or part of the interest on I Bonds (and on eligible EE bonds) from income as long as the proceeds are used to pay for tuition and fees at eligible post-secondary educational institutions.

## **PURCHASING A SERIES I BOND**

**Question:** *What is the earliest issue date for a Series I Bond?*

**Answer:** On September 1, 1998, six denominations (\$50, \$75, \$100, \$500, \$1,000, \$5,000) became available for purchase through the same institutions that offer Series EE Savings Bonds. Two additional denominations (\$200 and \$10,000) became available in May 1999. *Beginning January 2008, the \$10,000 bond will no longer be available for purchase.*

**Question:** *What is the purchase price of a Series I Bond and is there an annual limitation?*

**Answer:** The Series I Bond is available with a purchase price set at face value. There is an annual purchase limit of \$5,000 per Social Security Account Number. Adding or naming a coowner doesn't have the effect of allowing a purchaser to buy more bonds above the \$5,000 annual limit.

**Question:** *If an individual purchases the maximum allowable amount of Series I Bonds in one calendar year, does this affect the annual limit for that individual's Series EE Savings Bond purchases that same year?*

**Answer:** No, an individual may purchase the maximum amount in Series I Bonds (\$5,000) and also purchase the maximum amount in Series EE Bonds (\$5,000 issue price) during the same calendar year.

**Question:** *Are all registrations that are available for definitive Series EE Bonds also available for definitive Series I Bonds?*

**Answer:** No, fewer registrations are available for Series I Bonds. Series I Bond registrations may include the names of individuals (natural persons) in single owner, coowner, and beneficiary forms. The only other registration forms permitted are for bonds owned by guardianship estates (for example, "John Doe, guardian of the estate of Mary Doe, a minor"), personal trust estates (for example, First National Bank, trustee under agreement with John Doe, dated 01/02/98), testamentary trust estates (for example, Jerry Green, trustee under the will of Jane Green, deceased), and deceased owner's administered estate (for example, Joe Bond executor under the will of Jane Bond deceased). Series I Bonds can't be registered in the names of public or private organizations or corporations (in their own right), and Series I Bond registrations can't include references to uniform gifts or transfers to minors statutes. Registration rules are in Department of the Treasury Circular, Public Debt Series No. 2-98 (31 CFR 360).

**Question:** *Are there different purchase order forms?*

**Answer:** Yes. Series I Bond order forms are PD F 5374 and, for fiduciary forms of registration, PD F 5374-1.

**Question:** *What is the processing time for Series I Bonds ordered over-the-counter?*

**Answer:** The processing time for Series I Bond and Series EE Bond orders is the same. Order forms should be received by the servicing Reserve Bank within 5 business days after the purchase order date. You should receive the bonds within 15 business days from the purchase order date.

**Question:** *What if I receive the wrong series of bonds?*

**Answer:** You should return the bonds right away to the issuing agent through which they were purchased. That agent should work with the servicing FRB processing site to correct the problem.

**Question:** *Is the Series I Bond available as a gift bond?*

**Answer:** Yes, Series I Bonds can be purchased as gifts. If the purchaser doesn't know or have the Social Security Account Number of the gift recipient, the purchaser can use his or her own number. Series I Bonds purchased as gifts are not considered when determining whether or not a purchaser's own bonds are in excess of the annual purchase limit.

**Question:** *If a Series I Bond is purchased as a gift, will the word "GIFT" appear on the bond?*

**Answer:** No.

## **REDEMPTION AND REISSUE**

**Question:** *Where can Series I Bonds be redeemed?*

**Answer:** Any qualified savings bond paying agent that redeems Series EE Savings Bonds automatically qualifies to redeem Series I Bonds.

**Question:** *How is the Series I Bond redeemed?*

**Answer:** The redemption procedures are the same as those used for Series EE Bonds.

**Question:** *Can paid Series I Bonds be sent to the Federal Reserve via EZ Clear?*

**Answer:** Yes, paid Series I Bonds can be commingled with other paid bonds.

**Question:** *How can you determine the value of a Series I Bond?*

**Answer:** You can determine the value by using tables of redemption values produced by Public Debt. If you have a personal computer or access to one, you can also use the "Savings Bonds Tools" available through a link by the same name on Public Debt's web site, which is <http://www.treasurydirect.gov/>. Whether you're a savings bond owner, a financial institution, or a software developer, we have several different pricing tools available on our web site to help you. Simply choose the one that best meets your needs.

**Question:** *When are earnings added to a Series I Bond's value?*

**Answer:** Interest accumulates and is added to the value of the bond on the first of each month based on the current earnings rate. Compounding of interest is done on a semiannual basis.

**Question:** *Is the Series I Bond eligible for exchange to another series of savings bonds?*

**Answer:** No.

**Question:** *Can Series I Bonds be partially redeemed and reissued?*

**Answer:** Yes, in authorized Series I Bond denominations and amounts corresponding to authorized Series I Bond denominations.

**Question:** *Can you remove the name of a living coowner or beneficiary from a Series I Bond's registration without the consent of that coowner or beneficiary?*

**Answer:** The name of a living coowner can't be removed from a Series I Bond's registration in a reissue transaction, regardless of that coowner's willingness to consent, unless the reissue is ordered or approved by a court in a divorce settlement. A beneficiary's name can be removed at the request of the owner of the bond without the beneficiary's knowledge or consent just as with the Series EE Bond.

**Question:** *What authorized reissues are permitted with the Series I Bond?*

**Answer:** The regulations allow a living owner to add either a coowner or a beneficiary or remove or change beneficiaries. Reissue is also allowed to remove the name of an owner or coowner in cases of death or divorce. A bond may also be reissued to designate a guardian or conservator of an estate of a living owner or coowner, designate as owner a personal living trust or testamentary trust or to designate a legal representative of the deceased owner's estate.

## **REDEMPTION AND REISSUE** (continued)

**Question:** *How are lost, stolen, or destroyed I Bonds replaced?*

**Answer:** The Bureau of the Public Debt is authorized to replace lost, stolen, or destroyed I bonds. You can file a claim by writing to: Department of the Treasury, Bureau of the Public Debt, PO Box 7012, Parkersburg, West Virginia 26106-7012. You will need to complete Form PD F 1048.

Keep records of your I Bond serial numbers, issue dates, and the social security or taxpayer identification numbers in a safe place. This information will help speed up the replacement process.

**Question:** *How do I calculate series I Bond interest rate?*

**Answer:** I Bond interest rates have two parts:

- ❑ A fixed rate that lasts for 30 years
- ❑ An inflation rate that changes every six months

I bond fixed rates are determined each May 1 and November 1. Each fixed rate applies to all I bonds issued in the six months following the rate determination. The semiannual inflation rate is determined each May 1 and November 1. It is the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U) over six months. Each semiannual inflation rate applies to all outstanding I bonds for six months.

We combine fixed rates and semiannual inflation rates to determine composite earnings rates. An I bond's composite earnings rate changes every six months after its issue date. Here's how we set the composite rate for I bonds issued November 2005 – April 2006:

Fixed rate = 1.00%

Semiannual inflation rate = 2.85%

Composite rate = [Fixed rate + 2 x Semiannual inflation rate + (Fixed rate x Semiannual inflation rate)]

Composite rate = [0.0100 + 2 x 0.0285 + (0.0100 x 0.0285)]

Composite rate = [0.0100 + 0.057 + 0.000285]

Composite rate = [0.067285]

Composite rate = 0.0673

Composite rate = 6.73%