

QUESTIONS AND ANSWERS ABOUT SERIES I SAVINGS BONDS

GENERAL

Question: *What is the Series I bond?*

Answer: The Series I bond is an accrual type savings bond 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 six-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 six-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 a Series I 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: *Why did the Treasury introduce the Series I bond?*

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

Question: *How can I purchase I bonds?*

Answer: I bonds can be purchased in electronic form, at face value, by opening a TreasuryDirect® account. Purchase prices start at \$25, and the bonds can be purchased in any amount above that up to \$10,000 per person, per calendar year. Treasury discontinued over-the-counter sales of paper I bonds in December 2011.

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

Answer: 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: *How long will my Series I bond earn interest?*

Answer: I bonds earn interest for up to 30 years.

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

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

PURCHASING

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 \$10,000 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 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 and also purchase the maximum amount in Series EE bonds during the same calendar year.

Question: *What registrations are available for definitive Series I bonds?*

Answer: 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).

REDEMPTION AND REISSUE

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

Answer: You can go online and use the [tools](#) available under "Tools" in the Individual section at www.treasurydirect.gov. Also at www.treasurydirect.gov, you can download [Form PD 3600 E](#).

Whether you're a savings bond owner, a financial institution, or a software developer, we have several different pricing tools available on our website 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 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.

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.

Question: *How do I calculate the interest rate of a Series I bond?*

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%