

## Series I Savings Bonds – Are they right for you?

Over the last several years we have seen our checking, savings, and money market accounts generate very little interest as rates have been at historic lows. With the recent spike in inflation Series I Savings Bonds are yielding over 7%, so let's take a look at these savings bonds and determine if they are a fit for you.

The U.S. Treasury started offering this flavor of savings bonds in the late 90s. I-Bonds interest rate is made up of two factors – a fixed rate and an inflation rate. The fixed rate at this point is 0.0%. The inflation rate will change every six months reflective of the ongoing rate of inflation. The I-Bonds current annual rate of 7.12% makes them very appealing. The rate adjusts every six months on May 1<sup>st</sup> and November 1<sup>st</sup>. Since these bonds are offered and guaranteed by the U.S. Government they make for a safe investment vehicle. The bonds will earn interest for up to 30 years if not cashed in before that. The interest is taxable at the Federal level, but not at the State level.

Sounds like a no-brainer, right? Well, let's dig a little bit deeper. I-Bonds cannot be cashed within the first twelve months of purchase. Note that they can be cashed in after twelve months from the purchase date and you will receive the original amount invested plus the accrued interest. However, if I-Bonds are cashed in within five years of the purchase date you will forfeit three months of interest. There are also limits of how much you can buy. Each taxpayer can purchase up to \$10,000 of I-Bonds per year. So, a husband and wife can buy up \$20,000 total each year. Unfortunately, these cannot be purchased in retirement accounts such as IRAs or Roths and Partnership Financial cannot purchase them on your behalf through your accounts at SSG or TD Ameritrade. Each taxpayer must purchase them directly through Treasury Direct.

Investing in I-Bonds would make sense as an emergency pot of cash knowing that you cannot access it for at least a year and also for your shorter to intermediate goals – such as buying a car or updating your home in the next few years. Please note that the rate on these bonds are variable. So, with inflation high at this point, the interest on I-Bonds will also be high. If in a year or two inflation falls to more historic levels, then the interest will also fall.

To read more about I Bonds please read the latest ACP newsletter (along with articles on Resolutions, Working in Retirement, and Cryptocurrency) here:

Also you can review a blog by David Enna from Tipswatch.com who has written extensively about I-Bonds and timing strategies of when to buy them:

[https://tipswatch.com/2022/01/04/i-bonds-a-very-simple-buying-guide-for-2022/?fbclid=IwAR1VFwwnud7Ql16ZAa7sLI-E646B\\_1JFU78IOpU4D1b1I-jA1ftXS-OO7JI](https://tipswatch.com/2022/01/04/i-bonds-a-very-simple-buying-guide-for-2022/?fbclid=IwAR1VFwwnud7Ql16ZAa7sLI-E646B_1JFU78IOpU4D1b1I-jA1ftXS-OO7JI)

Again, we are unable to purchase I-Bonds on your behalf. If you have any questions please let us know. If you would like to purchase I-Bonds you will have to purchase them directly through the U.S. Government at Treasury Direct.

To follow are the steps on how to do so:

# TreasuryDirect

## Purchasing I Bonds

### Part 1: Setting up an account at TreasuryDirect

#### **STEP 1:**

Follow the steps in this PDF:

<https://www.treasurydirect.gov/instit/savbond/otc/howtoopenanaccountintreasurydirecttipsheet.pdf>

A few notes:

- **Bank information:** When you add the bank that will fund the purchase of the I Bonds, make sure to pick the one you'll use, because adding or changing the bank later seems to be a pain, as it looks like you'd have to fill out a printed form, sign it in the presence of an authorized officer at a bank, and then mail it in. Wowzers.
- **Password:** Something to consider when you choose your password:
  - When you enter your password later, you'll have to select keys on a screen ... that is, you can't type in the password. So you might consider not making the password too long (but please still make it long enough so that it's secure).
  - For reference, I had LastPass generate a password that was 10 characters, which was considered "Strong" by LastPass.
  - Also, FYI that the password is not case sensitive (as of Oct 2021).
- **Security questions:** Make sure to make note of your exact answers to these, as you'll need them later to make certain changes to your account.

#### **STEP 2:**

After you complete the above steps, your account number will be sent to your email.

Retrieve the account number, then go to: [https://www.treasurydirect.gov/go\\_to\\_login.htm](https://www.treasurydirect.gov/go_to_login.htm)

- Login
- Enter your account number
- A code will be sent to your email address
- Enter that code in the field that says "Enter your OTP" and click "Click here to register your computer" (assuming you're using your personal computer)
- You'll see your image & caption
- Enter your password

You should now be in your account.

## Part 2: Purchasing Series I Savings Bonds

Click "BuyDirect®" at the top:



Select "Series I" and click Submit.

Ensure you have enough cash in your linked bank account.

Enter the amount and click Submit.

Once you confirm everything, the purchase is in motion!

A few notes:

- The annual purchase limit per individual is \$10,000.
- If you have a trust or a business, those entities can purchase an additional \$10,000 per year (even if the trust uses the same identification number as your Social Security Number).

## Part 3: Naming a POD beneficiary

If you'd like to name a POD (paid-on-death) beneficiary for your securities, see below. I recommend doing this if you have a specific beneficiary in mind, such as your spouse.

After your I Bonds (or other securities) have been purchased, click "ManageDirect®" at the top:



Follow the directions here (though see below for some notes!):

<https://www.treasurydirect.gov/indiv/help/tdhelp/howdoi.htm#addsecondary>

A few notes:

- **Add New Registration:** When you get to this page:
  - Select "Beneficiary" at the top:
  - "First-Named Registrant" is you.
  - "Second-Named Registrant" is your beneficiary.

- Select "Make this my preferred registration" if you'd like this same beneficiary to be added for future purchases.
- See the example below:

## ManageDirect » Add New Registration

### Registration Information

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- Sole Owner  Primary Owner  Beneficiary

#### First-Named Registrant:

First Name:

Middle Name or Initial:

Last Name:

Suffix:

Taxpayer Identification Number:  -  -

#### Second-Named Registrant: (Required for Primary Owner and Beneficiary)

First Name:

Middle Name or Initial:

Last Name:

Suffix:

Taxpayer Identification Number:  -  -

Make this my preferred registration.

This is a gift.

This new registration will appear in your drop-down list after you select

After you hit Submit, you'll choose the new registration on the next screen. It'll say something to the effect of "Your Name xxx-xx-xxxx POD Beneficiary's Name". Then click Submit.

You should see a message at the top that says something like:

**i Important message(s):**

- The registration change you requested has been made. Any previously granted View or Transact rights for a security has been removed as a result of this change.

You're done!