

## U.S. Savings Bonds

- Effective 1/1/12, members will no longer be able to buy paper savings bonds at the Hopewell Federal Credit Union or by mail order.
- The only way to purchase savings bonds will be online at [www.treasurydirect.gov](http://www.treasurydirect.gov).
- Electronic savings bonds are secure and convenient to manage in a TreasuryDirect account, and members will no longer have to worry about storing, misplacing, or losing paper savings bonds.
- With a TreasuryDirect account, members can purchase electronic savings bonds:
  - as gifts
  - convert paper savings bonds to electronic ones
  - manage and redeem electronic saving bonds
- Interest paid on these bonds are exempt from state and local income taxes
- For current interest rates you can call 1-800-4US-BONDS (1-800-487-2663), request in writing from The Bureau of Public Debt, Bonds Div., Parkersburg, West Virginia 26106-1328 or get it from the web site <http://www.savingsbonds.gov>
- Savings bonds are not negotiable instruments and cannot be transferred to anyone at will
- They can be transferred in limited circumstances and there could be tax consequences at the time of transfer
- At the time of purchase, a bond can be registered to
  - Single person ("Single Ownership")
  - Two people ("Co-Ownership"); Either named individual can do whatever they like with bond without consent of the other person; If one dies, the other becomes single owner
  - Primary owner and a beneficiary ("Beneficiary"); Bond is marked POD for "payable on death"; Primary owner controls the bond and ownership, including the responsibility of paying taxes on the interest; This passes to the beneficiary if the primary owner dies
- Interest can be excluded if used to pay higher education expenses such as college tuition
- There are two (2) types of Savings bonds
  - **Series EE Bonds-**
  - They earn market-based rates that change every six (6) months
  - There is no way to predict when this bond will reach face value (depends on interest rate; example 5% would reach face value in 14 ¼ years and a bond earning 6% would reach face value in 12 years)
  - Series EE Bonds issued after February 2003 must be held for at least twelve (12) months before they can be cashed; bonds issued before February 2003 can be cashed anytime after six (6) months
  - After Series EE Bonds mature they will quit earning interest

- If not cashed by the final maturity date, you will end up paying tax on earnings, paying interest and penalties
- **I Bonds-**
  - I Bonds are purchased at face value (denomination)
  - Earns interest monthly
  - Interest is paid when bond is cashed
  - Earns interest for up to thirty (30) years
  - Interest accrues on the first day of the month and is compounded semiannually
  - I Bonds issued after February 2003 must be held for at least twelve (12) months before they can be cashed; bonds issued before February 2003 can be cashed anytime after six (6) months
  - If cashed within the first five (5) years, will be penalized by losing three (3) months worth of interest
  - Interest can be deferred until the bond is cashed in, or can be declared on your federal tax return as earned each year
  - When you cash the bond you will be issued a Form 1099-INT. The owner will declare all interest earned on the bond received over what they paid for the bond
  - Interest not yet not declared is known as “tax deferred”
  - There are eight (8) Americans honored on the I Bonds
    - √ \$50 - Helen Keller
    - √ \$75 - Dr. Hector P. Garcia
    - √ \$100 – Dr. Martin Luther King, Jr.
    - √ \$200 – Chief Joseph
    - √ \$500 – General George C. Marshall
    - √ \$1,000-Albert Einstein
    - √ \$5,000-Marian Anderson
    - √ \$10,000-Spark Matsunaga
- U.S. citizens and residents of any age with a social security number can buy bonds