



I BONDS Paying Interest Rate of 7.12%

Savings Bonds are often considered a safe and trustworthy investment because the U.S. government backs them. There are different types of savings bonds, the most recent and one of the most popular types being the I Bond. A key feature of the I Bond is that it is inflation-protected.

How do I Bonds Work?

I Bonds provide an interest **rate of 7.12%**, and this rate is good through April 30, 2022. (The EE Bond is another type that provides a **rate of 0.10%** through April 30, 2022.) Part of the interest rate is tied to the inflation rate and so the rate changes every 6 months.

I Bonds earn interest each month, and the interest is compounded every six months. You can earn interest on them for as long as 30 years, and can cash them out after 5 years without losing interest. You lose only three months interest if you cash them out before you reach 5 years. This is an especially good option for anyone with limited savings who may worry about putting money into an investment that they can't easily cash out if needed for an emergency.

How Do You Purchase I Bonds?

You purchase I Bonds at face value; for example, you pay \$50 for a \$50 bond. Earnings are exempt from state and local income taxes. Federal income taxes can be deferred for up to thirty years, or until you cash them in, whichever comes first.

You can buy saving bonds by setting up an account at <http://www.treasurydirect.gov>, a U.S. Treasury website. You can also set it up to make regular savings bond purchases through automatic deductions from your checking or savings account. You can also receive part or all your tax refund in the form of a savings bond by filling out form 8888 with your tax return.

For more information, you can contact the U.S. Treasury information line at 844-284-2676.

How do they compare to cash investments?

A quick glance at national interest rates shows an average rate of 0.55% for money market accounts. The average interest rate for a three-year CD (certificate of deposit) is 0.59%, and 0.77% for a 5-year CD (Bankrate Figures, as of November 2021).

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