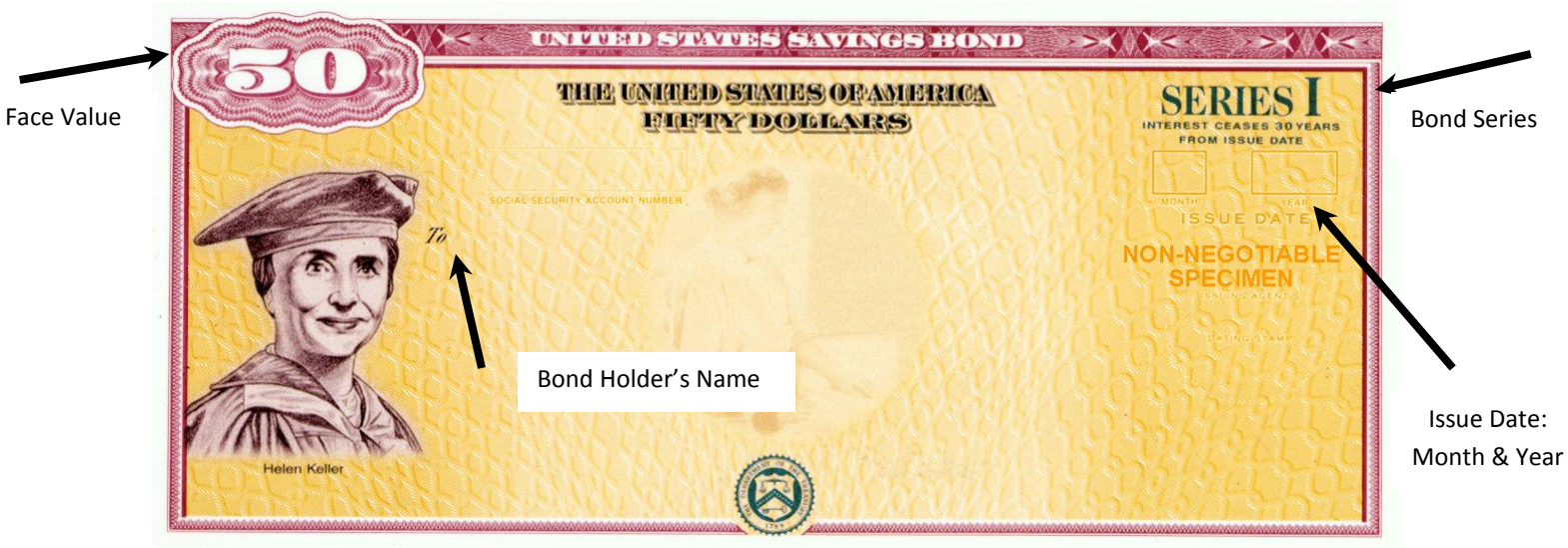
Series I U.S. Savings Bonds: Save for the future



What is a Series I U.S. Savings Bond?

- A long term savings instrument for the individual investor guaranteed by the U.S. Government
- An IOU from the U.S. Government to the bond purchaser
- They are purchased at face value (a $50 bond buys $50)
- Bonds are available in denominations of $50, $100, $200, $500, and $1000 at face value.

Series I U.S. Savings Bond Interest Rate

- Offer 1.74% interest as of May 1, 2010, have no fees and are protected from inflation.
- The interest rate has two components: a fixed rate that stays the same for the life of the bond and a variable semiannual inflation rate.
- The rate changes twice a year on May 1st and November 1st
- Interest accrues from the 1st day of the month of purchase and compounds semiannually based on the issue date.
- Bonds continue to earn interest for 30 years or until they are redeemed, whichever comes first.

Redemption Facts

- Can be redeemed at most banks and credit unions with a valid ID.
- Cannot be redeemed during the first 12 months after purchase unless the purchaser lives in an area affected by a natural disaster.
- If redeemed within the first 5 years, then the 3 most recent month's interest is forfeited.

Taxes on Earned Interest from U.S. Savings Bonds

- Earned interest is subject to federal income tax but is exempt from state and local income tax.
- Taxes on earned interest can be deferred until redemption or final maturity, whichever comes first.
- Earned interest may qualify for exemption from taxes when redeemed to pay education expenses. Qualified taxpayers may be able to exclude all or part of the interest earned from eligible Savings Bonds issued after 1989 when paying qualified higher education expenses. The bond must be issued in the name of a taxpayer age 24 or older at the time of issuance.
- Under certain circumstances, reissuing of bonds will require the interest earned on the bond to be reported as income in the year the reissue occurs