What interest rate does a Series EE bond earn?

Series EE savings bonds issued on and after May 1, 2005, will earn a fixed rate of interest, set at the time of purchase. The new rate will apply for the 30-year life of each bond, including a 10-year extended maturity period, unless a different rate or rate structure is announced for the extension period. Interest accrues monthly and is compounded semiannually.

How often will the fixed rate change for new issues of Series EE bonds?

A fixed rate will be announced for new issues May 1 and November 1.

How is interest added to my Series EE savings bonds?

Series EE savings bonds purchased on or after May 1, 2005 increase in value every month. The bond’s interest rate is compounded semiannually.

How will the fixed rate on Series EE bonds be determined?

The Department of the Treasury will set the fixed rate administratively. The rate will be based on 10-year Treasury note yields and adjusted for features unique to savings bonds, such as the tax deferral feature and the option to redeem the savings bonds at any time after the initial 12-month holding period.

How do you purchase Series EE bonds, and how long must they be held?

Paper Series EE bonds are no longer available for purchase. Series EE savings bonds can be purchased in electronic form at face value by opening a TreasuryDirect account at [www.treasurydirect.gov](http://www.treasurydirect.gov). Purchase prices for electronic securities start at $25. Bonds must be held at least one year from their issue date. A 3-month interest penalty applies to bonds not held at least 5 years.

When will my Series EE bonds reach original maturity?

EE bonds issued on and after May 1, 2005, will reach original maturity at 20 years. These bonds are also guaranteed to double in value from their issue price no later than 20 years after their issue dates. This is the bond’s original maturity. If a bond does not double in value as the result of applying the fixed rate for 20 years, the Treasury will make a one-time adjustment at original maturity to make up the difference. During the 10-year extended maturity period that follows original maturity, bonds will earn interest at the fixed rate set at issue unless a new rate or new terms and conditions are announced for the extension period.
Questions and Answers

Series EE Savings Bonds Issued May 1997 through April 2005

What interest rate does my Series EE bond earn?

Series EE savings bonds purchased on or after May 1, 1997 through April 2005, earn interest based on market yields for five-year Treasury securities. The rate is 90% of the average yields on five-year Treasury securities for the preceding six months.

How long do I have to hold my Series EE bond before I can cash it?

Effective February 2003, you can cash your bond any time after 12 months. However, if your bond is cashed before five years, a three-month interest penalty applies. In effect, you lose the last three months’ worth of interest. For example, if you buy a bond in May 2004 and cash it 24 months later in May 2006, you get your original investment back plus 21 months of interest. The value of the bond would be based on the announced rates applied over the 21-month period from May 2004 to February 2006.

How is interest added to my Series EE savings bonds?

Series EE savings bonds purchased on or after May 1, 1997 through April 2005 increase in value every month. The bond’s interest rate is compounded semiannually. The rate that Treasury announces each May and November is applied to a bond for the six-month earning period.

How does Treasury set the rate for Series EE bonds?

Series EE savings bonds purchased on or after May 1, 1997 through April 2005, earn the higher rate right from the start. The rate is 90 percent of the average five-year Treasury market yields for the preceding six months. Treasury announces a savings bond rate each May 1 and November 1. The rates announced each May and November are the annual rates that apply to bonds for that six-month earning period. For example, the six-month earning period for a bond issued in May is from May through October; for a bond issued in June, it’s June through November. The rate that is announced is the rate bonds will earn during the next six-month earning period.
When will my Series EE bond be worth face value?

Since the interest rate can change each six months, there is no way to predict when your bond will be worth face value. A bond earning interest at an average rate of 5% per year, compounded semiannually, would reach face value no later than 14 1/2 years after issue, while a bond earning interest at an average rate of 6% per year, compounded semiannually, would reach face value no later than 12 years after issue.

For bonds purchased May 1, 1997 through May 30, 2003, you are guaranteed that your bond will be worth at least face value at 17 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 17 years, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

For bonds purchased June 1, 2003 through April 2005, you are guaranteed that your bond will be worth at least face value at 20 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 20 years, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

What happens after my Series EE bond reaches face value?

Your bond will continue to earn interest until it is 30 years old.

What will the interest be during this time?

For Series EE bonds issued May 1997 through April 2005, the period from when your bond reaches face value to 30 years is called an “extension.” During the extension, your bond will earn interest at the rates in effect for that period.
What interest rate does my Series EE bond earn?

Your bond earns interest from purchase through original maturity (17 years) based on market yields for Treasury securities.

For the first 5 years, your bond earned the short-term rate.

From 5 years to 17 years, your bond earns the long-term rate.

What are the short-term and long-term rates?

The short-term rate is 85% of the average of six-month Treasury security yields over the three months prior to May 1 and November 1.

The short-term rate is no longer announced because all bonds in this range are over five years old.

The long-term rate is 85% of the average of five-year Treasury security yields over the six months prior to May 1 and November 1.

The long-term rate is announced by Treasury each May 1st and November 1st to reflect changes in the market yield for Treasury securities.

To find out what the rates are for the current six months, call 1-800-4US BOND, or go to http://www.treasurydirect.gov.

How is the rate applied to my Series EE bond?

Based on the rate in effect at the beginning of each period, interest will be added to your bond every six months. For example, if you bought a $100 Series EE bond in July 1996, you paid $50. From January through June 2006, the bond earned interest based on the long-term rate of 3.41%, announced November 2005. On July 1, 2006, the value of your bond increased to $73.40. From July 2006 through December 2006, your $73.40 earned interest based on the long-term rate of 3.88%, announced May 2006.

When will my Series EE bond be worth face value?

Since the interest rate can change each six months, there is no way to predict when your bond will be worth face value. A bond earning interest at an average rate of 5% per year, compounded semiannually, would reach face value no later than 14 ½ years after issue while a bond earning interest at an average rate of 6% per year, compounded semiannually, would reach face value no later than 12 years after issue.

You are guaranteed that your bond will be worth at least face value at 17 years. If the interest rates have been too low for your bond to accrue enough interest to be worth face value at 17 years, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.
What happens after 17 years?

Your bond will continue to earn interest for an additional 13 years, until it is 30 years old.

What will the interest rate be during this time?

For Series EE bonds issued May 1995 through April 1997, the period from 17 years to 30 years is called an “extension.” During the extension, your bond will earn interest at the rates in effect for that period.
Questions and Answers

Series EE Savings Bonds Issued November 1982 through April 1995

What interest rate does my Series EE bond earn?

Your bond earns interest based on *market-based investment yields* or *guaranteed minimum investment yields*.

Go to [http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm](http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm) to access the Savings Bond Calculator.

What do you mean “or”?  How do I know which one applies to my five-year old or older Series EE bond?

Actually, they both apply. Treasury calculates the value of your bond two ways, using the *market-based investment yield* and *guaranteed minimum investment yield*, and gives you the better overall return.

But how can I know what my Series EE bond is earning now?

Go to [http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm](http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm) to access the Savings Bond Calculator.

What is a *market-based investment yield*?  How is it applied to my five-year old or older Series EE bond?

Each May 1st and November 1st, Treasury determines an average of five-year Treasury security yields from the preceding six months. Each time your bond is due to increase in value, Treasury re-calculates the bond’s *market-based* redemption value from the issue date. The averages of the Treasury security yields for the six-month earning periods are added together and divided by the number of semiannual periods since the bond was issued. The result is multiplied by 85% and rounded. This one rate is applied for each semiannual period since the bond was issued.
Can you give me an example?

If you bought a bond in June 1985, by December 1994, the bond was 9 ½ years old. During the 9 ½ years, there were 19 six-month interest earning periods. For each earning period, there is an applicable five-year Treasury security yield. To determine the market-based December 1994 value of your bond, the 19 average five-year Treasury security yields were added together and divided by 19. The result was multiplied by 85% and then rounded to the nearest ¼ of one percent (.25%). The result was the market-based investment yield. The market-based worth of your bond on December 1994 was calculated by applying this yield, or rate, to the entire 9 ½ years.*

A year later, to determine the market-based investment yield for your bond for December 1995, the applicable average five-year Treasury security yields for the interest periods December 1994 through May 1995 and June 1995 through November 1995 were added to those for the other 19 six-month interest earning periods and divided by 21 to obtain the average. This was multiplied by 85%; but this time the result was rounded to the nearest one-hundredth of one percent (.01%). The market-based worth of your bond for December 1995 was calculated by applying this yield to the entire 10 ½ years. 

*Note: All redemption values calculations are performed on a hypothetical base denomination of $25. Redemption values for bonds of greater denominations are in direct proportion according to the ratio of denominations, i.e. a $50 bond would be worth twice the value of the base denomination, a $200 bond would be worth 8 times the value of the base denomination.

Why is the rounding to .25% in some cases and .01% in others?

When bonds are issued, an original maturity period is established. (Your 1985 bond had an original maturity period of 10 years.) After original maturity, bonds may be held for additional extensions of maturity. During maturity periods that began before May 1989, rounding of the market-based investment yield is to the nearest ¼ of one percent. If the current maturity period was entered on or after May 1, 1989, the rounding is to the nearest one hundredth of one percent.

What are the original maturity periods for my Series EE bonds?

For bonds dated November 1982 through October 1986, it is 10 years.

For bonds dated November 1986 through February 1993, it is 12 years.

For bonds dated March 1993 through April 1995, it is 18 years.

Where does the guaranteed minimum investment yield come in?

How does it apply to my Series EE bond?

When Treasury first offered a guaranteed minimum return in November 1982, the rate for the original maturity period was set at 7.5% per year, compounded semiannually. Effective with bonds issued November 1986, the rate was reduced to 6% per year, compounded semiannually. You had to hold a bond no less than five years to receive the guaranteed minimums. For bonds issued March 1993 through April 1995, the rate is 4% from issue date. With each offering, Treasury established a table of redemption values for the original maturity period based on the guaranteed minimum return promised.
Can you give me an example?

Let’s use your June 1985 bond again. When you bought this bond, Treasury promised that if you held the bond at least five years then you would receive a return of no less than 7.5% per year, compounded semiannually, during the original maturity period of the bond. In December 1994, the bond had not reached original maturity and had been held at least five years; therefore, the redemption value reflected a yield of the promised 7.5% per year, compounded semiannually, from the issue date to December 1994.

What happens after my Series EE bond reaches original maturity?

For original maturity, Treasury has established a table of redemption values which reflects the guaranteed minimum rate promised. After the bond reaches original maturity, it enters an extension. The guaranteed minimum during the extension will be the rate in effect at the time the extension starts, right now 4% per year, compounded semiannually. During the first extension, each time a bond is due to increase in value, Treasury re-calculates the bond’s guaranteed minimum redemption value starting with what the bond is guaranteed to be worth at original maturity, and applies the guaranteed minimum rate for the current extension to each interest period since original maturity.

Can you give me an example?

On June 1, 1995, your June 1985 bond reached original maturity. At that time, the value of your bond reflected the guaranteed rate of 7.5%. By December 1995, your bond had one interest earning period in extended maturity. When your bond entered the extended maturity period, the guaranteed minimum in effect for extensions was 4%. To determine the December 1995 guaranteed minimum value of your bond, the interest rate of 4% per year, compounded semiannually, is applied to the June 1995 value for one semiannual period.

You said the “first extension.” Is there more than one extension?

The first extension is 10 years. The bond then enters a second extension, earning interest until it is 30 years old. During the second extension, Treasury re-calculates the bond’s guaranteed minimum redemption value, starting with what the bond is guaranteed to be worth at the end of the first maturity and applying the rate in effect when the second maturity was entered for each interest period since.

If I go to the bank and cash my Series EE bond, will I receive a redemption value that is calculated with either the market-based investment yield or guaranteed minimum investment yield, whichever makes my bond worth more?

Yes.
With this method, I can’t compare a market-based return with a guaranteed minimum investment yield for a six-month period?

That’s correct. The market-based investment yield and guaranteed minimum investment yield result from two separate, competing calculations. Overall market-based return from the bond’s date of issue is compared with overall guaranteed return from that date. This approach does not involve comparing a market-based return with a guaranteed minimum investment yield for the current year or six-month period.

Can you give me an example?

Taking a June 1986 bond as an example, the market-based investment yield was 6.11% per year compounded semiannually, from June 1, 1986, to June 1, 1997. Over that same period, the overall guaranteed minimum investment yield for the bond was greater, 7.18% per year, compounded semiannually, including two six-month periods (June 1, 1996 to June 1, 1997) at 4% per year, compounded semiannually, as well as earnings at the higher rate of 7.5% per year, compounded semiannually, during the preceding 10 years (20 six-month periods from June 1, 1986 to June 1, 1996).

As bonds have entered an extension since March 1, 1993, many bond owners have observed that their bonds are increasing in value at 4% per year, compounded semiannually, and expressed concern because every market-based rate they have seen or heard of is higher. However, when comparing returns (market-based versus guaranteed minimum), Treasury is not looking just at the 4% per year, compounded semiannually, alone. Treasury is looking at the overall guaranteed minimum return since each bond was issued, and comparing that with the overall market-based return over the same period.
Questions and Answers

Series E/EE Savings Bonds & Savings Notes Issued Before November 1982

What interest rate is used to calculate what my Series EE bond or note is worth?

All savings notes, Series E, bonds, and Series EE bonds issued before November 1982 have stopped earning interest.

How can I know what my bond is worth?

Go to http://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm to access the Savings Bond Calculator.

If I go to the bank and cash my Series E/EE bond or note, I will receive a redemption value that is calculated with either the market-based investment yield or guaranteed minimum investment yield, whichever makes my bond or note worth more?

From the issue date until the bond or note first increased in value on or after November 1982, increases in its value were based on the rate of return promised when the bond or note was issued and on adjustments to that rate made when Treasury announced rate increases. If you held the bond or note at least five years after the date it first increased in value on or after November 1, 1982, the difference in the value of your bond or note from the date of that first increase on or after November 1, 1982, and the redemption value you receive is based on the market-based investment yield or the guaranteed minimum investment yield, whichever increases the value of your bond or note more overall.
Questions and Answers

Series I Savings Bonds

What interest rate does a Series I bond earn?

The overall interest rate of a Series I bond consists of two rates: a fixed rate and an inflation rate.

The fixed rate for Series I bonds is announced each May and November, and applies to all bonds issued during the six-month period beginning at the announcement date. The fixed rate is locked in at the time of purchase, and remains the same for the life of the bond. The fixed rate will always be greater than or equal to 0.00%. However, the fixed rate is not a guaranteed minimum rate; the composite rate could possibly be less than the fixed rate in deflationary situations. A deflation rate can be thought of as a negative inflation rate. The semiannual inflation rate—whether it is negative or positive—is combined with the fixed rate to produce the composite rate.

The inflation rate is also announced each May and November. It is based on changes in the Consumer Price Index for all Urban Consumers (CPI-U). The inflation rate is combined with the bond’s fixed rate to determine the composite earnings rate of the bond every six months.

The composite earnings rate changes every six months from a Series I bond’s issue date. For example, the composite earnings rate for a Series I bond issued in March changes every March and September.

For complete information, and a chart of historical rates, please see http://www.treasurydirect.gov/indiv/research/indepth/ibonds/res_ibonds_iratesandterms.htm

How long must I hold my Series I bond before I may redeem it?

You may redeem your Series I bond anytime after 12 months from the bond’s issue date. However, a 3-month interest penalty applies to bonds not held for at least 5 years.

How is interest added to my Series I savings bonds?

Series I savings bonds increase in value every month. The bond’s interest rate is compounded semiannually. The composite inflation rate announced by the Treasury each May and November is applied to a Series I bond for the six-month earning period.

How does the Treasury set the rates for Series I bonds?

The Department of the Treasury will set the fixed rate administratively. The inflation rate is based on the percentage of change in the Consumer Price Index for all Urban Consumers (CPI-U) every six months.

To view the formula for determining the rates, please see http://www.treasurydirect.gov/indiv/research/indepth/ibonds/res_ibonds_iratesandterms.htm