

Questions and Answers about Bonds

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What is the market-based interest formula for Savings Bonds?

The market-based rate formula sets interest yields on Series EE Bonds held five years or longer and outstanding Series E Bonds and U.S. Savings Notes (Freedom Shares). Market-based rates are set semiannually, in May and November, and Bonds held five years or longer receive the average of semiannual rates in effect during the holding period, compounded semiannually, if it averages more than the guaranteed minimum rate. For Bonds issued since March 1, 1993, there is a guaranteed minimum annual rate of 4 percent no matter how long the Bond is held, up to original maturity, a term of 18 years; these Bonds reach face value in no more than 18 years and will continue to pay interest for 30 years from issue.

How is the Market Base Rate Set?

Each May 1 and November 1, the Treasury computes the average daily market yield during the preceding six months on Treasury marketable securities with five years remaining to maturity. The Savings Bonds rate is set at 85 percent of the market average. At the end of five years, the average of the 10 semiannual rates, compounded semiannually, determines a Bond's five-year yield. If a Bond is held for six years, 12 semiannual rates are averaged, and so on. Bonds issued in March 1993 or later and held less than five years earn interest at a 4 percent annual rate.

How long to bonds earn interest?

Outstanding Savings Bonds will earn interest for the following number of years: 40 years, Series E Bonds issued through November 1965; 30 years, Series E Bonds issued from December 1965 through June 1980, Series EE Bonds, U.S. Savings Notes, Series H Bonds; 20 years, Series HH Bonds.

Is there a limit on the amount of Savings Bonds a person may buy?

Yes. The annual limit on the amount of Series EE Bonds an individual may buy is \$15,000, issue price (\$30,000, face amount). This limit applies to the amount of Bonds that may be purchased in the name of any one person in any one calendar year; it has no effect on cumulative holdings. Purchasing Bonds in coownership form can effectively double the limit, assuming the coowner has purchased no other Bonds. There is no limit on the amount of HH Bonds that may be issued in exchange for Series E and EE Bonds and Savings Notes, or purchased with the redemption proceeds of matured Series H Bonds.

What is the best way to buy Savings Bonds?

The simplest, most convenient way to purchase Bonds is through the payroll savings plan offered by thousands of companies and organizations, including the U.S. government and many state and local governments. Through the plan, an employee can arrange with his or her company to set aside a certain amount of money each payday to buy Savings Bonds. Savings Bonds may also be purchased through most commercial banks and other financial institutions throughout the country.

Where can I get more information on Savings Bonds?

Current rate information can be obtained toll-free by calling a recorded message at 1-800-4US BOND (1-800-487-2663). Other information can be obtained from many financial institutions, Federal Reserve Banks and Branches, and Savings Bonds Division District Offices. Information on replacing lost or stolen Bonds, or reissuing existing securities, can be obtained by writing to the Bureau of the Public Debt, Parkersburg, WV 26106-1328.

