

With inflation continuing to rise, and higher volatility in both the equity and bond markets, one option for investors are I Bonds, an inflation-protected product that are positioned to deliver 9.62% in interest through October 2022.

Understanding the advantages and disadvantages of I Bonds is critical if you plan to make the next step. Here's a primer for what you need to know.

WHAT ARE I BONDS?

I Bonds are backed by the U.S. government and are considered risk-free because the principal doesn't lose value. Their greatest appeal are the tax benefits because the interest is only subject to federal income tax and can be deferred. As stated earlier, I Bonds currently pay more than 9% in interest annually, primarily due to inflation. The bonds pay both a fixed rate of return and an inflation-adjusted variable rate, a strategy that protects the investment against inflation. For this reason, with current inflation rates, they are considered a good strategy to invest as an alternative to cash in a savings account.

WHERE DO I BUY I BONDS?

The bonds are available for sale exclusively through the U.S. Treasury Department's [website](#). You have until October 2022 to purchase them at the current rate - Which will apply six months after the purchase is made.

There's also a \$10,000 limit in bonds you may buy each year. You may also elect to receive up to \$5,000 of your federal tax refund through a paper bond. One way to purchase more I Bonds is to do so through your business, trust, or estate – or spouse. Each one is eligible to purchase a total of \$10,000 each.

HOW LONG UNTIL THEY MATURE?

I Bonds mature after 30 years, giving investors that expanse of time to earn interest. You can redeem them before they mature. However, if you do so within five years, you'll forfeit the last three months of earned interest.

WHAT ARE DRAWBACKS OF I BONDS?

As stated earlier, there are \$10,000 purchase limits and you face a penalty if you try selling your bonds within five years. Also, you can't redeem the bonds for at least a year.

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