

**QUESTIONS AND ANSWERS ABOUT  
SERIES EE SAVINGS BONDS ISSUED MAY 1997 AND THEREAFTER**

**Question:** What interest rate does my bond earn?

**Answer:** Series EE savings bonds purchased on or after May 1, 1997, will earn interest based on market yields for 5-year Treasury securities. The rate will be 90% of the average yields on 5-year Treasury securities for the preceding six months.

**Question:** How long do I have to hold my bond before I can cash it?

**Answer:** You can cash your bond dated January 2003, or before, any time after 6 months. Bonds dated February 2003, and after, must be held for one year before they may be redeemed. However, if your bond is cashed before five years, a 3-month interest penalty applies. In effect, you lose the last 3 months' worth of interest. For example, if you buy a bond in January 2001 and cash it 24 months later in January 2003, 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 January 2001 through October 2003.

**Question:** How will interest get added to my savings bonds after May 1, 1997?

**Answer:** Series EE savings bonds purchased on or after May 1, 1997, will increase in value every month. The bond's interest rate is compounded semiannually. The rate that Treasury announces each May and November will be applied to a bond for the 6-month earning period.

**Question:** How will Treasury set the new rate?

**Answer:** Series EE savings bonds purchased on or after May 1, 1997, will earn the new higher rates right from the start. The rate is 90 percent of the average 5-year Treasury market yields for the preceding six months. Treasury will announce 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's announced is the rate bonds will earn during the six-month earning period.

**Question:** When will my bond be worth face value?

**Answer:** 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.

Bonds containing an issue date of May 1997 through May 2003 are guaranteed to reach face value at 17 years. Bonds with issue dates of June 2003 and thereafter are guaranteed to reach 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 the guaranteed date, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

**Question:** What happens after my bond reaches face value?

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

**Question:** What will the interest rate be during this time?

**Answer:** The period from the time your bond reaches face value to 30 years is an extended interest period. During this period, your bond will earn interest at the rates in effect then for extended interest periods for Series EE bonds issued May 1997 and thereafter.