

MONEY 101 EDUCATION

12.06 How Interest is earned on US Savings Bonds - Series EE

US Savings Bonds Series EE do NOT send investors a payment for interest.

Instead, bonds are purchased at less than their face value, and then when the bondholder redeems the bond, they receive a higher amount which includes the imputed interest.

EXAMPLE A		Interest Rate	5%		
		Term	15 years		
		Value at termination	\$	1,000	
	Discount Value	Interest		Value with Interest	
Year 1	\$ 481.02	\$ 24.05	\$	505.07	
Year 2	\$ 505.07	\$ 25.25	\$	530.32	
Year 3	\$ 530.32	\$ 26.52	\$	556.84	
Year 4	\$ 556.84	\$ 27.84	\$	584.68	
Year 5	\$ 584.68	\$ 29.23	\$	613.91	
Year 6	\$ 613.91	\$ 30.70	\$	644.61	
Year 7	\$ 644.61	\$ 32.23	\$	676.84	
Year 8	\$ 676.84	\$ 33.84	\$	710.68	
Year 9	\$ 710.68	\$ 35.53	\$	746.22	
Year 10	\$ 746.22	\$ 37.31	\$	783.53	
Year 11	\$ 783.53	\$ 39.18	\$	822.70	
Year 12	\$ 822.70	\$ 41.14	\$	863.84	
Year 13	\$ 863.84	\$ 43.19	\$	907.03	
Year 14	\$ 907.03	\$ 45.35	\$	952.38	
Year 15	\$ 952.38	\$ 47.62	\$	1,000.00	face value
	Total interest earned	\$ 518.98			

EXAMPLE B		Interest Rate	8%		
		Term	15 years		
		Value at termination	\$	10	
	Discount Value	Interest		Value with Interest	
Year 1	\$ 315.24	\$ 25.22	\$	340.46	
Year 2	\$ 340.46	\$ 27.24	\$	367.70	
Year 3	\$ 367.70	\$ 29.42	\$	397.11	
Year 4	\$ 397.11	\$ 31.77	\$	428.88	
Year 5	\$ 428.88	\$ 34.31	\$	463.19	
Year 6	\$ 463.19	\$ 37.06	\$	500.25	
Year 7	\$ 500.25	\$ 40.02	\$	540.27	
Year 8	\$ 540.27	\$ 43.22	\$	583.49	
Year 9	\$ 583.49	\$ 46.68	\$	630.17	
Year 10	\$ 630.17	\$ 50.41	\$	680.58	
Year 11	\$ 680.58	\$ 54.45	\$	735.03	
Year 12	\$ 735.03	\$ 58.80	\$	793.83	
Year 13	\$ 793.83	\$ 63.51	\$	857.34	
Year 14	\$ 857.34	\$ 68.59	\$	925.93	
Year 15	\$ 925.93	\$ 74.07	\$	1,000.00	face value
	Total interest earned	\$ 684.76			