

Ask a Trust Officer

Whip Inflation Now!

DEAR TRUST OFFICER:

Gas prices, food prices, everything seems to be going through the roof except the interest rates on my savings! I'm looking for some inflation protection. What can you tell me about inflation-indexed Savings Bonds?

FIXED-INCOME WORRY WART

DEAR FIXED:

Inflation-indexed savings bonds have two income components, an earnings rate based upon changes in the Consumer Price Index, and an additional fixed rate. The rates are set twice each year, on May 1 and November 1. On May 1, 2008, the fixed rate was set at 0.00%, the first time that has ever happened. The prior fixed rate was 1.2%. The inflation adjustment was set at 4.84%, in line with current CPI changes. For comparison, the Series EE bonds, which don't have inflation adjustments, were set at 1.4% for May through October 2008. The 0% fixed rate results from the turmoil in the credit markets this past spring. The return can't go negative. Will Rogers reportedly once said, "It's not so much the return on my money that concerns me as much as the return of my money." He could have been describing today's I-bonds, which simply return inflation-adjusted principal in full.

Do you have a question concerning wealth management or trusts?

Send your inquiry to HeartlandTrust@hbtbank.com.

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