

Kathleen Martin is an attorney with O'Donnell, Weiss & Mattei, P.C., and a newspaper columnist for The Mercury, which gave permission for this article to be reprinted.

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## **Sale of paper U.S. savings bonds to be discontinued**

U. S. Savings Bonds, an important part of many older Americans' savings plans, have been around since 1935. However, beginning January 1, 2012, the United States Treasury Department will no longer issue paper savings bonds; however, they will remain available for purchase in the electronic form. Tim Takacs, in a recent blog post, reported on "End of an Era: Feds Discontinue Sale of Paper Savings Bonds" ([http://www.elderlaweducation.com/Blog/January\\_2012\\_\(1\)/End\\_of\\_an\\_Era\\_Feds\\_Discontinue\\_Sale\\_of\\_Paper\\_Savi](http://www.elderlaweducation.com/Blog/January_2012_(1)/End_of_an_Era_Feds_Discontinue_Sale_of_Paper_Savi)).

Generations of people invested in U.S. Savings Bonds over the years. Oftentimes, part of the person's paycheck was invested in savings bonds as a "surefire" investment strategy. The bonds were placed in a safe deposit box, and saved over years, sometimes for decades. Other people purchased them because they considered it their patriotic duty. Parents and grandparents purchased them for children for special occasions, knowing that it was a way to force the child to save. They were even given as prizes by schools and other groups.

Although savings bonds have been in existence since 1935 (Series A with a face value of \$25 and a purchase price of \$18.75), the most famous were the Series E Defense Savings Bonds, sold to finance WWII. They became known as War Bonds after the attack on Pearl Harbor in 1941. People were exhorted by the government through posters to do their patriotic duty and purchase bonds. They were encouraged to invest in the United States, and they did, to have the money returned years later with interest. It was at this time that payroll deduction in order to purchase bonds was introduced. Series EE bonds accumulated interest; when they are cashed, federal income tax is owed on the interest accumulated. This often creates problems for heirs in estates who could be faced with a large income tax bill on bonds purchased many years ago and never redeemed.

Series H bonds were introduced in 1952; these bonds earned interest for 30 years; generally the interest was paid out quarterly, eliminating the issue of a large amount of accumulated interest. Series HH bonds replaced H bonds in 1980. As of September 1, 2004, both HH and H bonds are no longer issued. In 1980, Series EE bonds replaced the famous E bonds. These EE bonds were marketed, in part, for education expenses, and could be used tax-free to pay tuition and other expenses at eligible schools.

The year 1998 saw the introduction of Series I bonds. These bonds became popular among elders and their advisors to presumably protect savings from the effect of inflation, and nursing home costs. These bonds are indexed to the Consumer Price Index, and cannot be redeemed until 12 months after the purchase date. Some persons saw this as a way to qualify for Medicaid, since the money was not available. However, Pennsylvania would likely still count the value as a resource. Savings bonds in general are considered a resource for purposes of applying for Medicaid.

The most common issue is elders who have many savings bonds that matured long ago, and have accumulated interest on which federal income tax need be paid. They might consider cashing in groups of bonds each year rather than leaving it for their heirs to manage. For more information on savings bonds, including the new purchasing options and a calculator to determine present value of existing bonds, go to [www.treasurydirect.org](http://www.treasurydirect.org).