

To: All Employees
From: Melinda Hardwick, Benefits Service Center, Human Resources
Subject: US Savings Bond Purchase Program

Are you interested in saving for the future by purchasing US Savings Bonds? People who choose to save with US Savings Bonds report: 1) their investment is safe because it is backed by the US Government; 2) bonds are easy to purchase through payroll deduction; 3) there are tax advantages when redeemed for education; and 4) the bonds can be cashed after 6 months if an emergency arises or you want to cash the bond and put the proceeds in a stock certificate. James Madison University, along with other Virginia agencies, is conducting the annual US Savings Bond Campaign from April 16, 2001 through May 18, 2001. You have the opportunity to purchase both Series EE and Series I bonds through payroll deduction.

Both Series EE and Series I bonds available

- The Series EE Bond is purchased at **50% of the face** value and earns interest for up to 30 years payable upon redemption.
- The Series I Bond is purchased at **face value** and also earns interest for up to 30 years payable upon redemption.
- You can redeem your bond 6 months after the issue date. However, if you redeem your bond before 5 years, you will lose the last three months of interest earnings.
- You may purchase bonds at any time during the year.

Interest Earnings

- Interest earnings for the Series EE and Series I Bonds are determined differently.
 - Series EE Bonds – the interest is earned through application of a market-based savings bond rate.
 - Series I Bond – the interest is earned through a calculation of a fixed rate of return and a semi-annual inflation rate.
- Interest rates are determined semi-annually. (May 1 and November 1)
- Current interest rates are:
 - I Bond - 6.49%
 - EE Bond – 5.54%
 - Rates are good through April 2001 and will be changed on May 1, 2001

Taxes deferred on interest earned

- Interest earnings on bonds are exempt from state and local income taxes until they are cashed
- The bonds are purchased with after tax dollars.

Tax exemption on interest earned when the bonds are redeemed for education for either yourself or your children

Both the Series EE (when purchased after 1990) and Series I bonds are eligible for the “Education Bond Program”. Interest earned may be completely or partially excluded from Federal income tax when the bond owner pays qualified higher education expenses at an eligible institution in the same calendar year the bonds are redeemed.

Purchase through payroll deduction

- You may purchase bonds through payroll deduction.
- There is no minimum payroll deduction amount.
- You may start/stop purchasing bonds at any time throughout the year.
- You must purchase a face value of at least \$100 for both Series EE and the Series I bonds.

How do I enroll?

- You may request an enrollment form by going to the Human Resources Web Page and click on the savings bond tab under benefits or you may call and request a form or stop by Human Resources and pick up a form.
- Address any questions and return your enrollment forms to Melinda Hardwick (x2358) Human Resources – MSC 7009.

Are US Savings Bonds right for you?

As with any savings/investment product, you should consider whether bonds are the right choice for you. For more information, see the JMU Human Resources Web Page or go to www.savingsbonds.gov.