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End of an Era: Feds Discontinue Sale of Paper Savings Bonds

For some families, it was a ritual: when Dad brought home his paycheck, he and Mom purchased a U. S. savings bond at the bank. That bond stayed at the bank, in the safe deposit box, sometimes for decades.

For others, purchasing a U. S. savings bond was a patriotic duty: that was money invested in the United States, and years later, it was returned, with interest.

Not any more. Or, in any event, beginning on January 1, 2012, the United States Treasury Department and its Bureau of the Public debt will no longer sell paper savings bonds. The Treasury refers to these as “over-the-counter (OTC) sales” but the reality is that no longer will savings bond purchasers be able to touch and feel their investments. Instead, savings bonds will remain available for purchase as electronic issues.

Banks and other issuing agents have been instructed to stop accepting applications for paper savings bonds. This includes applications mailed directly to the Federal Reserve by customers.

What Are U. S. Savings Bonds?

The first U. S. Savings Bonds were issued in 1935, by legislation signed into law by President Franklin D. Roosevelt. These were Series A Savings Bonds: the purchase price was \$18.75, with a face value of \$25.

In subsequent years, Series B, C, and D bonds were sold – the latter issued in 1941 – and due to their low price were referred to as “baby bonds.”

Probably the most famous savings bonds were the Series E Defense Savings Bonds, to finance World War II. After the attack on Pearl Harbor in 1941, these became known as War Savings Bonds (or, War Bonds). The government developed posters urging citizens to do their patriotic duty and purchase War Bonds, including the famous Norman Rockwell “Freedom of Speech” painting.

At this time, the government also introduced the use of a payroll deduction for the purchase of War Bonds – this, the Payroll Savings Plan – is still available electronically, even though the sale of paper bonds has been discontinued.

In 1952, the federal government introduced Series H bonds, which earned interest for 30 years. These were replaced by Series HH savings bonds in 1980. As of September 1, 2004, the Treasury is no longer issuing Series HH/H bonds.

The 1980s also saw the introduction of Series EE bonds, which replaced the famous Series E bonds. The Series EE bonds were marketed in part as vehicles to pay for education, and were tax-free if used to pay tuition and other expenses at eligible schools.

The Use of Savings Bonds in Planning for Older Persons

The Series I Savings Bond was introduced in 1998. Indexed to the Consumer Price Index to

encourage investors who were concerned about protecting their savings from the effects of inflation, the Series I Bond became popular among elders (and their advisors) in part as a way to protect their savings from nursing home costs and to qualify for Medicaid.

Like the Series EE Bond, a Series I bond could not be redeemed until at least 12 months after their purchase date. Some State Medicaid agencies took the position that because they were not available for support immediately, Series I and EE bonds would not be counted as resources to the Medicaid applicant or his or her spouse.

In Mississippi, the State Division of Medicaid counts the current value of a savings bonds as a resource to the applicant and spouse – even though the savings bond might not be redeemable.

More information on U. S. savings bonds, including purchasing options, is available online at the U. S. Treasury Web page, www.treasurydirect.gov.

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http://www.elderlaweducation.com/Blog/January_2012_%281%29/End_of_an_Era__Feds_Discontinue_Sale_of_Paper_Savi]