# Series I Bonds as an Inflation Hedge

The spike in inflation has created an opportunity for Series I bonds. While interest rates on savings accounts, money markets, and CDs are still near historic lows, these bonds offer a much more attractive rate without taking on much risk. This is an attractive investment opportunity for those that need to invest cash and can give up liquidity for at least one year.

**What are Series I Bonds?**

Series I bonds can be purchased through the U.S. Treasury Department and are backed by the full faith and credit of the U.S. Government. The interest rate on these bonds is made up of two components, the fixed-rate and the inflation rate. Each rate is determined semi-annually, in May and October, and the rate is applied for each investment made in this time period until the next rate is set. The current rate is 9.62% as of May 2022, based on the most recent Consumer Price Index for all Urban Consumers (CPI-U). This is a variable rate, so the interest rate will come down as inflation cools, so the rate set in October may be lower but likely will still be higher than short-term savings and CD rates.

**What Are The Limitations?**

Annual purchases are limited to $10,000 per person. You can buy an additional $10,000 for your spouse, children, or any other beneficiary. Another opportunity is to use up to $5,000 of your income tax refund to purchase paper I Bonds by using Form 8888, Allocation of Refund.

There is no liquidity on these bonds for one year, although there are special provisions if you are impacted by a natural disaster. If you redeem them between years one to five, the last three months of interest are forfeited. If held for longer than five years, you can redeem them at any time, or you can hold them for up to thirty years when the bond matures.

**How Can I Purchase?**

You can learn more information and purchase these bonds through Treasury Direct. Click here to learn more details.

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