Series EE US Savings Bonds

New—Yes! Improved—No

Americans purchase US Savings Bonds for a variety of reasons. Some purchase bonds as gifts for newborns, children's birthdays and graduations. Others purchase bonds for additional retirement income. Historically, savings bonds have been adequate investment tools since their return was variable and tied to the 5 Year US Treasury note, with the rate floating twice each year. The new and "improved" savings bond that went on sale May 1st is tied to the 10 Year US Treasury note and is a fixed, not a variable rate.

What does this mean to you?

Think of yourself as the lender and the government as the borrower when you are the owner of a savings bond. You are loaning your money to the US government in exchange for a stated return on your money. Alan Greenspan, the chairman of the Federal Reserve, has already indicated that rates are heading upwards. The US prime lending rate has been adjusted upwards several times over the last year or so. If rates are headed upward, why would you, the lender, want to lock in a rate that is **fixed** for the next 20 years? The government is borrowing money from you, the consumer, at a low fixed rate rather than from more sophisticated lenders who will charge a variable, not a fixed, rate of return.

An alternative to locking in your money for 20 years at a low fixed rate with savings bonds is the *Pooled Income Fund* from the Episcopal Church Foundation. The *Pooled Income Fund* is a fund through which Episcopalians from across the country combine their money to achieve a market rate of return at a variable, not a fixed, payout. This fund is invested through State Street Global Advisors, the money manager for the Episcopal Church Foundation, to achieve primarily income with a modest amount of growth. The *Pooled Income Fund* operates in many ways like a mutual fund for Episcopalians. Over your lifetime(s), the fund pays out income to you, like a mutual fund. At your death, however, your portion of the pooled income fund passes to your parish or other Episcopal charity. Since you have made a charitable gift, you are entitled to a charitable deduction when you set this up, "day 1."

A $10,000 *Pooled Income Fund,* set up by a typical 55-year-old, would create a charitable tax deduction of $3,655. A savings bond creates no tax deduction. The highest payout over the past three years for the *Pooled Income Fund* has been 4.67%. The current, fixed payout on the US Savings Bond is 3.5%, and this is locked in for the next 20 years. Are rates going up? Yes. Will the payout on the *Pooled Income Fund* increase? Almost certainly. Will the payout on the US Savings Bond increase? No, it is fixed for the next 20 years.

A *Pooled Income Fund* can be created for as little as $2,500. If you are not happy with the changes made to US Savings Bonds, consider the *Pooled Income Fund*.

For more information, please contact someone on your planned giving committee, or the Episcopal Church Foundation at 800-697-2858 or visit www.EpiscopalFoundation.org.