



How to Put Your Savings Bonds to Work

Smart Strategies for Redeeming Your Bonds

Many Americans first started saving by purchasing U.S. savings bonds. If you bought Series EE bonds years ago and held them to maturity, your investment has doubled in value. But here's the catch: 30 years after the purchase date, EE bonds—the most common type—cease to pay interest.

Perhaps you would like to cash in your bonds but are reluctant to do so for fear of having to report a large amount of taxable interest income. Even giving the bonds to a child or other individual triggers taxation of the accumulated interest. But if you do nothing, your estate or your beneficiaries must pay income tax on the accumulated interest upon your death. Fortunately, there is a solution.

Gift Planning Tip

If you want to make a charitable bequest, savings bonds will produce more tax benefits than almost any other type of asset because no income tax will be owed when the charity redeems the bonds.

Donating Savings Bonds Through Your Will

Savings bonds are a great asset to bequeath to a charitable organization such as ours. When we redeem the bonds, we will be able to keep the entire value to support our mission. *The accumulated interest income will never be taxed!*

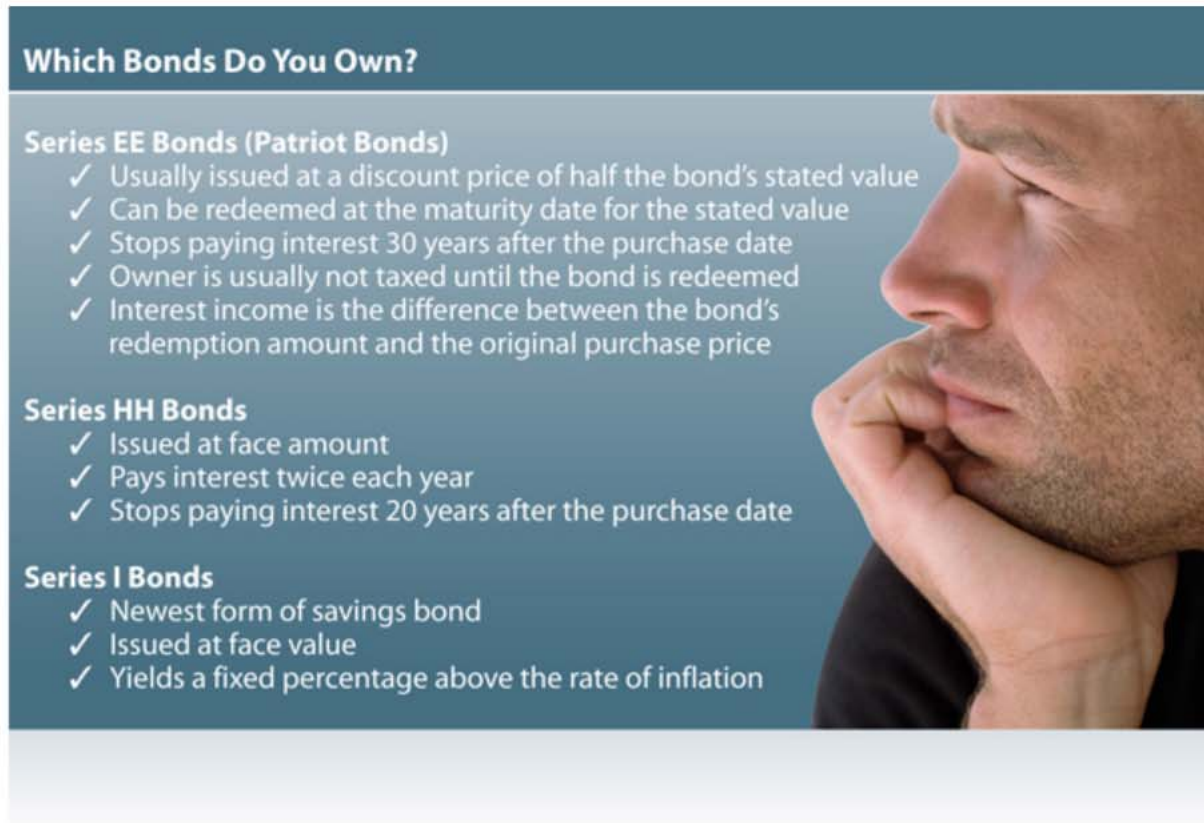
The best way to give savings bonds to us is to have a provision in your will stating that your bonds will become our property after your death. Your estate will distribute the bonds to our organization. Then we will report the interest income when we redeem the bonds. Because charitable organizations are tax-exempt, no tax will be owed.

Donating Savings Bonds During Your Lifetime

If, instead, you want to make a gift of bonds to us during your lifetime, you will first need to redeem the bonds for cash and then donate the cash as a gift; savings bonds cannot be given directly to a charitable organization. The advantage of redeeming the bonds for cash and then making a cash gift

in the year of the transfer from cashing in the bonds.

Example: Curtis has savings bonds worth \$5,000 that he purchased for \$1,000. He can make a gift to his favorite charitable organization by redeeming the bonds for cash and then donating the cash. He must recognize the entire \$4,000 of accumulated interest income on his income tax return. He will be entitled, however, to an offsetting charitable income tax deduction of \$5,000—the full value of the bonds—up to 50 percent of his adjusted gross income, so he may not owe any income tax in the year he made the gift. In fact, he will have a net income tax deduction of \$1,000 (\$5,000 charitable deduction minus \$4,000 of income).



Which Bonds Do You Own?

Series EE Bonds (Patriot Bonds)

- ✓ Usually issued at a discount price of half the bond's stated value
- ✓ Can be redeemed at the maturity date for the stated value
- ✓ Stops paying interest 30 years after the purchase date
- ✓ Owner is usually not taxed until the bond is redeemed
- ✓ Interest income is the difference between the bond's redemption amount and the original purchase price

Series HH Bonds

- ✓ Issued at face amount
- ✓ Pays interest twice each year
- ✓ Stops paying interest 20 years after the purchase date

Series I Bonds

- ✓ Newest form of savings bond
- ✓ Issued at face value
- ✓ Yields a fixed percentage above the rate of inflation

For More Information

Put the full value of your savings bonds to work by donating them to charity. Feel free to call us for a no-obligation discussion to see if this method of giving is right for you.

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