

Series E/EE Savings Bonds

The safety and tradition behind these financial products has played an important part of America's growth and development. The payroll deduction of Series E/EE Bonds by employees in corporate America has been a popular way to forced savings for the future. No one can deny the value these bonds have contributed to many Americans over the years. For certain investors, these bonds have great appeal.

There are features of these financial products that need explanation for the overall understanding. These financial instruments earn what is called "phantom income," that is, they accrue interest rather than currently paying it out. The consumers' inability to use this income or interest during the bond holding period prevents the use of the interest for other financial needs, wants, and desires that they may have. Therefore, one may lose the opportunity to build additional wealth or protect those assets from eroding factors.

Money that is idle may be less productive than money that is being used for other financial needs and objectives. One should assess the advantage of receiving a benefit from one financial product and weigh it against the loss of benefits that may be derived from an alternative product before making a final decision in this area.

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CRN201603-107154

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