

Some added detail on I-Bonds

Invest \$10,000 May 20, 2022	\$	10,000
Current annual rate		9.62%
Earn in six months (adds to principal balance in six months or Nov 20,2022)	\$	481
Principal Balance in 6 months	\$	10,481
Assume a new annual rate effective for purchases after Nov 1. This rate applies to the principal balance at the six month mark.		6% (as the exam
Earn next six months, which is added to prior principal balance	\$	314
Interest accrues but isn't added to principal balance	\$	52 /month
Redeem in one year and lose last three months of interest accrued		
Total Interest earned in year	\$	795
Three months lost interest	\$	157
Net interest received	\$	638
Rate received		6.4%

Web site shows redemption value of bond assuming you have forgone the last three months (see ManageDirect tab).

If I viewed this as hassle free investment, I doubt that I would sell at example of 6% APR (.5% per month twice what I now earn/year on MMKT --- .25%). On the other hand, is the hassle of not clearly planning our cash flow for our spending worth \$157?

I would logically wait three months after the rate drops . . .

1) such that the interest I would otherwise earn is not worth the hassle of not having money readily available for my spending.

Is the hassle worth \$157 in the above example.

2) the rate could decline to be similar to MMKT rates; makes no sense to hold in that case.

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