ROBERTSON STEPHENS®

November 7, 2022 – Wealth Planning Commentary

I-Bonds continue to offer high yields

The Treasury Department announced new I-Bond rates for the next six months. The bonds will earn a composite rate of 6.89% from Nov 2022 through Apr 2023 and is based on the CPI, otherwise known as inflation, from Mar 2022 to Sep 2022. The new rate is almost 3% less than the previous 6-month rate of 9.62%. The bond is government backed, state and local tax-free, and with a 7% yield the I-bond remains a compelling investment.

How I-bonds work:

- There are two interest rate components; the "Fixed Rate" based on the 30-year life of the bond and an "Inflation Rate" that is reset every six months during the life of the bond.
- The interest earned is added to the value of the bond twice a year.
- I-bonds must be held for a minimum of 12 months. If the bond is redeemed before 5 years, the holder loses 3 months of interest. Redeeming when inflation is low is likely a good strategy.

Investment is limited to $10,000 per person each year. A couple may invest $20,000 and purchase another $10,000 for each child. Another $5,000 of I-bonds may be purchased with your tax refund for a total of $15,000 a person. Notably this is not a large sum of money, but it may be a small win for you, and a larger one for your children.

Over the past year, the yield was compelling enough for many of our clients, holding excess cash, to ask how to purchase the I-Bond. The bonds may be purchased through Treasurydirect.gov, but the website is somewhat cumbersome, and it has multiple levels of security. Please reach out to your wealth manager if you are having issues with the purchase, you can share your screen via Zoom and they may be able to assist.

End of Year Planning Reminders:

- **Annual Exclusion** –$16,000 a person or $32,000 per couple may be gifted to an individual tax free. If you are gifting to an irrevocable trust, remember to draft and execute the Crummey letters.
- **Required Minimum Distributions (RMD)** – Confirm that you have taken the RMD from your retirement accounts if applicable.
- **IRAs Inherited after Jan 1, 2020** – Beneficiaries that are subject to the 10-Year rule are not required to take a RMD this year. The proposed IRS RMD rules for these accounts are likely to pass soon but will not be enforced until 2023.