I Bonds: Inflation Protection, Backed by the U.S. Government

By Todd Vandam, CFA

Inflation quietly erodes what savings can buy, and U.S. Series I savings bonds are built to push back. They currently pay a 5.51% annualized rate for bonds bought through April 30, 2027, and they are backed by the U.S. government.

The rate. Your return has two parts: a 1.40% fixed rate that is locked in for the life of the bond, and an inflation rate that resets every six months based on changes for the Consumer Price Index. Interest builds tax deferred and is paid when you redeem. I bonds pay no income along the way.

The protection. Because the inflation portion adjusts twice a year, your return rises when inflation does. The 1.40% fixed rate stays with the bond for up to 30 years on top of that, and your annual return never falls below the fixed rate set at purchase. The value of your bond never falls below what you paid plus interest earned.

The tax edge. Interest is exempt from state and local income tax. Federal tax is deferred until you redeem and is then calculated at your tax rate in that year, which can help if you expect to be in a lower bracket later.

The trade-offs. I bonds are for money you will not need for at least five years. Your money is locked for the first 12 months, and redeeming before year five costs the last three months of interest. Purchases are capped at $10,000 per person each calendar year. Because accrued interest is taxable to heirs, large holdings deserve a conversation about your estate plan.

Who do they suit? I bonds may fit long-term, buy-and-hold investors, tax-sensitive investors and conservative savers who want an inflation-protected part of their portfolio. We do not believe they are suitable for investors who need income, short-term liquidity or need to invest more than $10,000 a year.

How to buy. I bonds are bought directly from the U.S. Treasury at TreasuryDirect.gov, not through brokerages or banks. You open an individual account with a Social Security number, a linked bank account and an email address, then choose the Series I bond and the amount. Redemptions go through the same account, with proceeds deposited into your linked bank account.

The window. The purchase limit resets each calendar year, and today's 1.40% fixed rate applies through April 30, 2027. A couple could buy up to $20,000 before December 31, 2026, and up to another $20,000 from January 1 through April 30, 2027, for as much as $40,000 at the same fixed rate. Whether that makes sense depends on your liquidity needs, and this general information should not be considered a recommendation specific to your individual situation.

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I Bond Summary

Rates, rules and how I bonds compare

I Bond Rates

Measure	Detail
Annualized rate	5.51%
Fixed rate (locked in)	1.40%
Inflation rate (annualized)	4.08%
Inflation rate resets	Every six months
Where to buy	TreasuryDirect.gov

Key Rules

Measure	Detail
Minimum purchase	$25
Annual limit	$10,000 per person
Locked for	First 12 months
Redeem before 5 years	Lose last 3 months of interest
State and local tax	Exempt
Federal tax	Deferred until redemption

How I Bonds Compare

Feature	I bond	Five-year Treasury note	Five-year TIPS
Inflation protection	Yes, resets every six months	None	Yes, principal adjusts with CPI
Price risk if sold early	None; redeemed at accrued value	Yes; price falls when rates rise	Yes; price falls when real yields rise
Early access	Locked 12 months; three-month interest penalty before five years	Can be sold anytime at market price	Can be sold anytime at market price
Income	None; interest accrues	Semi-annual coupon	Semi-annual coupon
Federal tax timing	Deferred until redemption	Coupon taxed yearly	Coupon and principal adjustment taxed yearly
Purchase limit	$10,000 per person per year	No cap	No cap

Source: TreasuryDirect.gov. Rates apply to I bonds purchased through April 30, 2027. The fixed and inflation rates are combined in a formula, so they do not add up to exactly 5.51%. State and local taxes are exempt for all three investments.

The information contained herein is for informational purposes only, is not personalized investment, financial or tax advice, and should not be construed as a recommendation to purchase or sell any particular security or strategy to any individual person or entity. Past performance should not be considered as an indicator of future results.

I bond rates shown apply to bonds purchased through April 30, 2027. The inflation portion of the rate resets every six months, so the return on an I bond will rise or fall over the holding period. Rates are as announced by the U.S. Treasury and are current as of November 10, 2026. Verify current rates at TreasuryDirect.gov before purchase.

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