



# Tails: Investments

## Series I bonds: what

With inflation becoming more influential in peoples' lives, Series I bonds are becoming more and more publicized. I bonds are government savings bonds that earn a fixed interest rate, and additionally a variable interest rate based on inflation. At the time of this writing, I bonds are earning nearly 10% – amazing for a government-issued bond. I bonds have been on our radar for some time now, and we considered these before we made significant portfolio changes pre-inflation. However, there are disadvantages to I bonds which is why we axed them from our changes.

1. They have low rates of return, but they increase based on inflation. Their return is high for now, but what if the government is successful in tamping down inflation? The fed is currently increasing interest rates more aggressively than normal. Instead of quarter-point increases, they've switched to half-point increases for the foreseeable future. Ratcheting up interest rates is a good way to combat inflation.

2. You can only purchase \$10,000 worth per year, per person. That means despite the great return, to make any noticeable difference in a portfolio's return would take years.

3. There are holding restrictions. You need to hold I Bonds for at least 1 year to avoid most penalties and 5 years for no penalties at all. I bonds are appealing if inflation remains high, but the longer your timeline for holding I bonds, the more likely inflation is brought under control while you're holding the bonds.

4. They're non-marketable, which means you can't trade them like you would other stocks or bonds. Generally, this means an asset is illiquid, but not exactly in this case. You can only redeem them to the government. Of course, you can question the creditworthiness of the US government, but keep in mind they can just print money to pay you.

5. We can't help clients buy them. This point is of little importance compared to the previous points, but for those who prefer to outsource investment/retirement-related work to a third party, this may be important to consider. You can only purchase I bonds by visiting [TreasuryDirect.gov](https://www.treasurydirect.gov).



Recessions:  
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The average recession lasts about 11 months. If you rebalance and buy stocks during this time, you are provided an opportunity to supercharge your recovery.



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