Name _____ Date _____

3. Savings Bonds

A popular form of investing money is through the purchase of **Series EE United States Savings Bonds**. These bonds are issued by the U.S. federal government. Many people give savings bonds as gifts.

Paper Series EE Savings Bonds are available with **face values** of \$50; \$75; \$100; \$200; \$500; \$1,000; \$5,000; and \$10,000. Paper bonds are purchased for $\frac{1}{2}$ of their face value.

Example 1: What is the cost of a paper Series EE Savings Bond with a face value of \$500?

THINK: The purchase price is $\frac{1}{2}$ of the face value.

Multiply.

$\frac{1}{2} \times \$500 = \$250$

A \$500 savings bond will cost \$250.

An EE Savings Bond is guaranteed to reach its face value by its maturity date. The maturity date is 20 years after the bond is purchased. The bond will then continue to earn interest at a fixed interest rate for an additional 10 years.

Savings bonds can be redeemed, or cashed in, at any time after 1 year from the purchase date. The table shows the values of a \$50 paper EE Savings Bond if it were to be redeemed at various times.

REDEMPTION VALUE OF \$50 PAPER SAVINGS BOND
(Purchase date: May 2005)

Years Held	Value
0.5	Could not be redeemed
1.0	\$25.66
1.5	\$26.10
2.0	\$26.56
2.5	\$27.04
3.0	\$27.50
3.5	\$27.98
4.0	\$28.46
4.5	\$28.98
5.0	\$29.74
5.5	\$30.26
6.0	\$30.78

Name _____ Date _____

Example 2: How much would you receive if you redeemed a $200 paper savings bond purchased in May 2005 after 6 years?

Step 1 Use the table on page 81. After 6 years, a $50 bond can be redeemed for $30.78.

Step 2 Divide to find how many units of $50 are in $200.

$200 ÷ $50 = 4

Step 3 Multiply the value of a $50 bond by 4.

4 × $30.78 = $123.12

The $200 bond could be redeemed for $123.12.

Example 3: How much interest was earned on the $200 paper savings bond redeemed after 6 years?

Interest Earned = Redemption Value − Purchase Price

Subtract.

$123.12 − $100 = $23.12

The bond earned $23.12 in interest.

Think About It

1. Who pays the interest on U.S. Savings Bonds?

_____

_____

2. Why are U.S. Savings Bonds considered to be "patriotic" investments?

_____

_____

_____

_____

Name _____ Date _____

actice

Remember to estimate whenever you use your calculator.

Find the cost of buying the paper bonds.

Face value of bond	Number of bonds	Purchase price
$100	1	**1.** _____
$75	1	**2.** _____
$50	4	**3.** _____
$500	2	**4.** _____
$1,000	3	**5.** _____
$5,000	5	**6.** _____

'ind the redemption value of the paper bond purchased in May 2005.

Face value of bond	Years held	Redemption value
$500	3.0	**7.** _____
$500	4.5	**8.** _____
$5,000	5.0	**9.** _____
$1,000	4.0	**10.** _____
$100	2.5	**11.** _____
$75	4.5	**12.** _____

Complete the table for paper bonds purchased in May 2005.

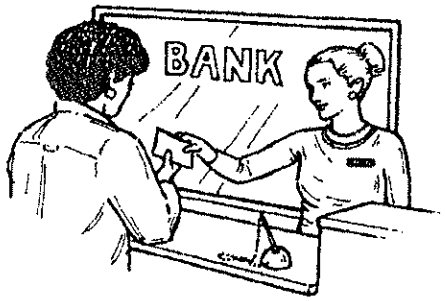
Bonds held	Years held	Redemption value	Interest earned
3 $500 bonds	$3\frac{1}{2}$	**13.** _____	**14.** _____
2 $100 bonds	4	**15.** _____	**16.** _____
2 $1,000 bonds	$5\frac{1}{2}$	**17.** _____	**18.** _____
5 $50 bonds	$4\frac{1}{2}$	**19.** _____	**20.** _____
8 $5,000 bonds	6	**21.** _____	**22.** _____
6 $75 bonds	1	**23.** _____	**24.** _____
7 $10,000 bonds	$4\frac{1}{2}$	**25.** _____	**26.** _____

Name _____ Date _____

Complete the table for paper bonds purchased in May 2005.

Bonds held	Years held	Redemption value	Interest earned
3 $100 bonds	4	**27.** _____	**28.** _____
4 $200 bonds	2	**29.** _____	**30.** _____
2 $500 bonds	$4\frac{1}{2}$	**31.** _____	**32.** _____
5 $75 bonds	5	**33.** _____	**34.** _____
6 $1,000 bonds	$3\frac{1}{2}$	**35.** _____	**36.** _____
2 $10,000 bonds	4	**37.** _____	**38.** _____
5 $5,000 bonds	$5\frac{1}{2}$	**39.** _____	**40.** _____

Solve.



41. Karen bought a paper U.S. Savings Bond with a face value of $500 in May 2005.

a. How much did Karen pay for the bond?

_____

b. If Karen redeemed the bond after 2 years, how much would she receive? _____

c. If Karen redeemed the bond after 5 years, how much would she receive? _____

d. How much more interest would Karen earn if she redeemed the bond after 5 years than after 2 years? _____

42. Juan bought a paper U.S. Savings Bond with a face value of $100 in May 2005.

a. How much did Juan pay for the bond?

_____

b. If Juan redeemed the bond after 6 years, how much would he receive? _____

c. If Juan redeemed the bond after 20 years, how much would he receive? _____

d. How much more interest would Juan earn if he redeemed the bond after 20 years than after 6 years? _____

U.S. Savings Bonds

Pages 82-84

Think About It

1. The U.S. federal government pays the interest out of the money collected in federal taxes.
2. because you are lending money to the federal government when you buy a U.S. Savings Bond

Practice

1. $50
2. $37.50
3. $100
4. $500
5. $1,500
6. $12,500
7. $275
8. $289.80
9. $2,974
10. $569.20
11. $54.08
12. $43.47
13. $839.40
14. $89.40
15. $113.84
16. $13.84
17. $1,210.40
18. $210.40
19. $144.90
20. $19.90
21. $24,624
22. $4,624
    $230.94
24. $5.94
25. $40,572
26. $5,572
27. $170.76
28. $20.76
29. $424.96
30. $24.96
31. $579.60
32. $79.60
33. $223.05
34. $35.55
35. $3,357.60
36. $357.60
37. $11,384
38. $1,384
39. $15,130
40. $2,630
41. a. $250
    b. $265.60
    c. $297.40
    d. $31.80
42. a. $50
    b. $61.56
    c. $100
    d. $38.44

Pages 86-88

Think About It

1. When a customer buys a CD, the bank knows how long it will have access to those funds and how long before it will have to redeem the CD. By contrast, a customer can withdraw funds from a savings account at any time. For these reasons, banks are willing to pay more interest on CDs.
2. Possible answer: because interest rates may go up while their money is tied up in a CD and they would be subject to a penalty if they withdraw their money early

Practice

1. 0.60%
2. 1.85%
3. 2.40%
4. 1.00%
5. $31.25
6. $12.50
7. $37.50
8. $7.50
9. $18.75
10. $50
11. a. $75
    b. $75
    c. $150
12. a. $187.50
    b. more; $37.50
13. a. $7.50
    b. $7.50
    c. $15
14. a. $25
    b. more; $10

Extension

1. 2.3%
2. 1.4%
3. 3.2%
4. 2.8%
5. 3.0%
6. 2.4%
7. a. 1.3%
   b. 1.0%
   c. the CD

Pages 91-92

Think About It

1. The prices of stocks fluctuate in response to supply and demand. When more people want to buy than to sell, the price goes up. When more people want to sell than to buy, the price goes down.
2. A "bull" market is a strong market with stock prices moving up, while a "bear" market is a weak market with stock prices moving down.

Practice

1. $18.00
2. $30.75
3. 108,000
4. $2.18
5. $2.52
6. $45.02
7. $28.87
8. decrease of $0.13
9. EGadW, Enhart, EssWt
10. $1,014
11. $661.50
12. $3,986.25
13. $1,001
14. $4,062.50
15. $105,294
16. (P) $217.20
17. (L) $525.60
18. (P) $2,058
19. (L) $5,277.50
20. $0.56
21. $5.60
22. 1.6%
23. $1.80
24. $72
25. 4.8%
26. $0.72
27. $54
28. 1.7%
29. $0.28
30. $140
31. 1.8%
32. a. $634.75
    b. $154.75
    c. $4