



AUSTIN

“Growth in the Austin economy strengthened in February. The Austin Business-Cycle Index expanded at a faster pace, while the unemployment rate remained unchanged. COVID-19 hospitalizations continued to decline through March, and hospitalizations fell to an eight-month low. February housing permits ticked up in the metro as the median home price reached a new high. Private sector average hourly earnings continued to trend upward.” – Apr 2022 – Austin Economic Indicators – Dallas Fed

UNITED STATES

“The unemployment rate fell, real disposable income continued to trend down, and inflation remained elevated.

Real disposable income dipped again in February. The level was below its trend growth path. Real consumer spending fell modestly, as a drop in spending on goods more than offset a rise in spending on services. **The saving rate was below pre-pandemic levels.**

Core PCE inflation over the year increased in February.

The S&P 500 stock index moved higher over the month, but was still down since the beginning of the year.” – Apr 2022 – U.S. Economy in a Snapshot – NY Fed

TEXAS

“The Texas Economy continues to expand, with payroll employment increasing at a rapid clip and the unemployment rate ticking down.

Home sales fell in February but remained high, up 11.7 percent relative to pre-pandemic February 2020 levels. Median home prices reached record highs in the state and its major metros.

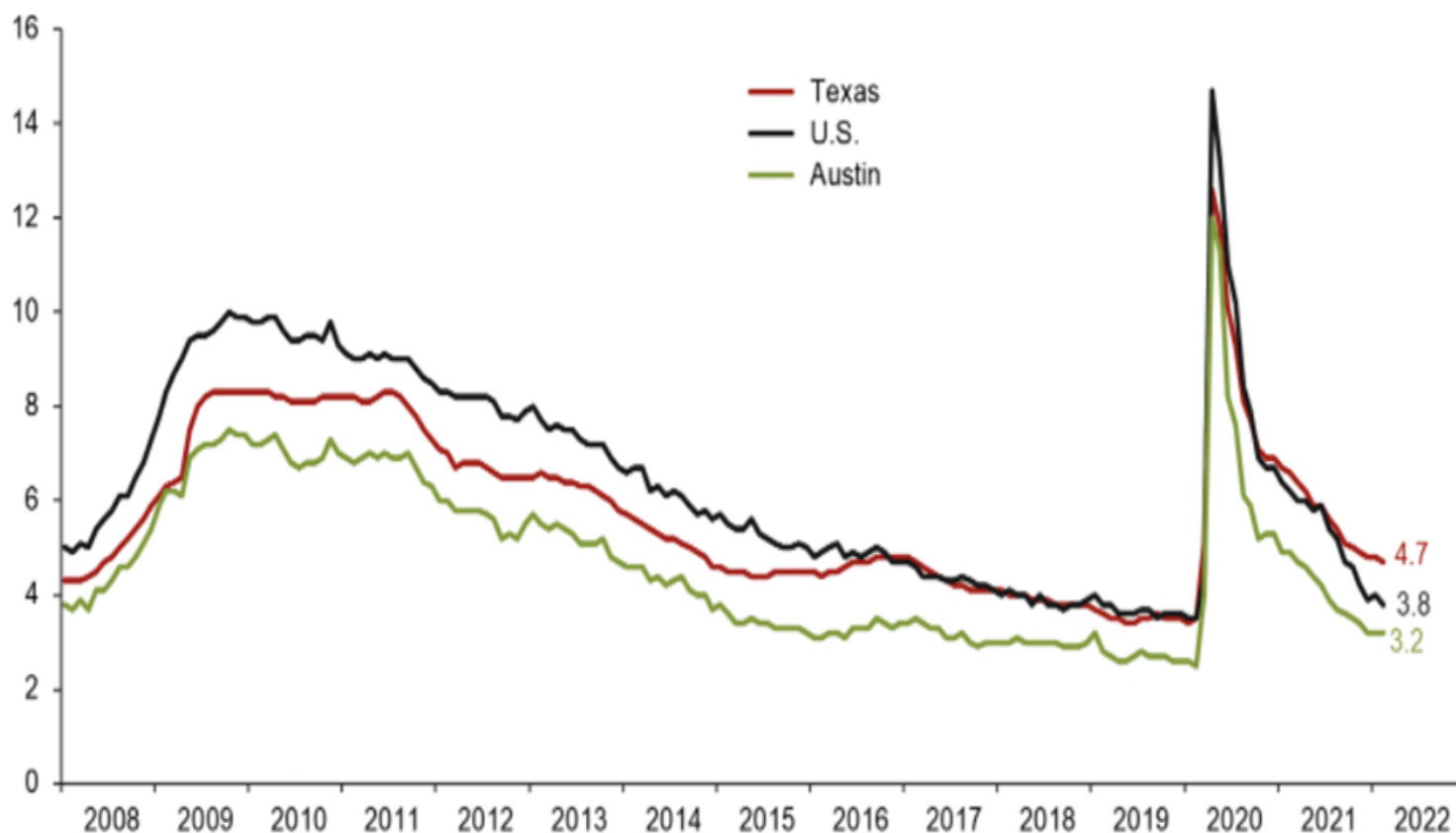
Retail sales edged up in December 2021 (the most recent data) and were markedly higher than in December 2020.” – March 30, 2022 – Texas Economic Indicators – Dallas Fed

JOBS - UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

“Austin’s unemployment rate remained at 3.2 percent in February, the lowest level since the beginning of the pandemic. This is well below the state’s jobless rate of 4.7 percent and the nation’s rate of 3.8 percent. Growth in the metro labor force accelerated from an annualized 1.4 percent in January to 5.8 percent in February. This compares with the state’s 3.4 percent and nation’s 2.3 percent labor force growth.” – Apr 2022 – Austin Economic Indicators – Dallas Fed

Unemployment Rate

Percent, seasonally adjusted



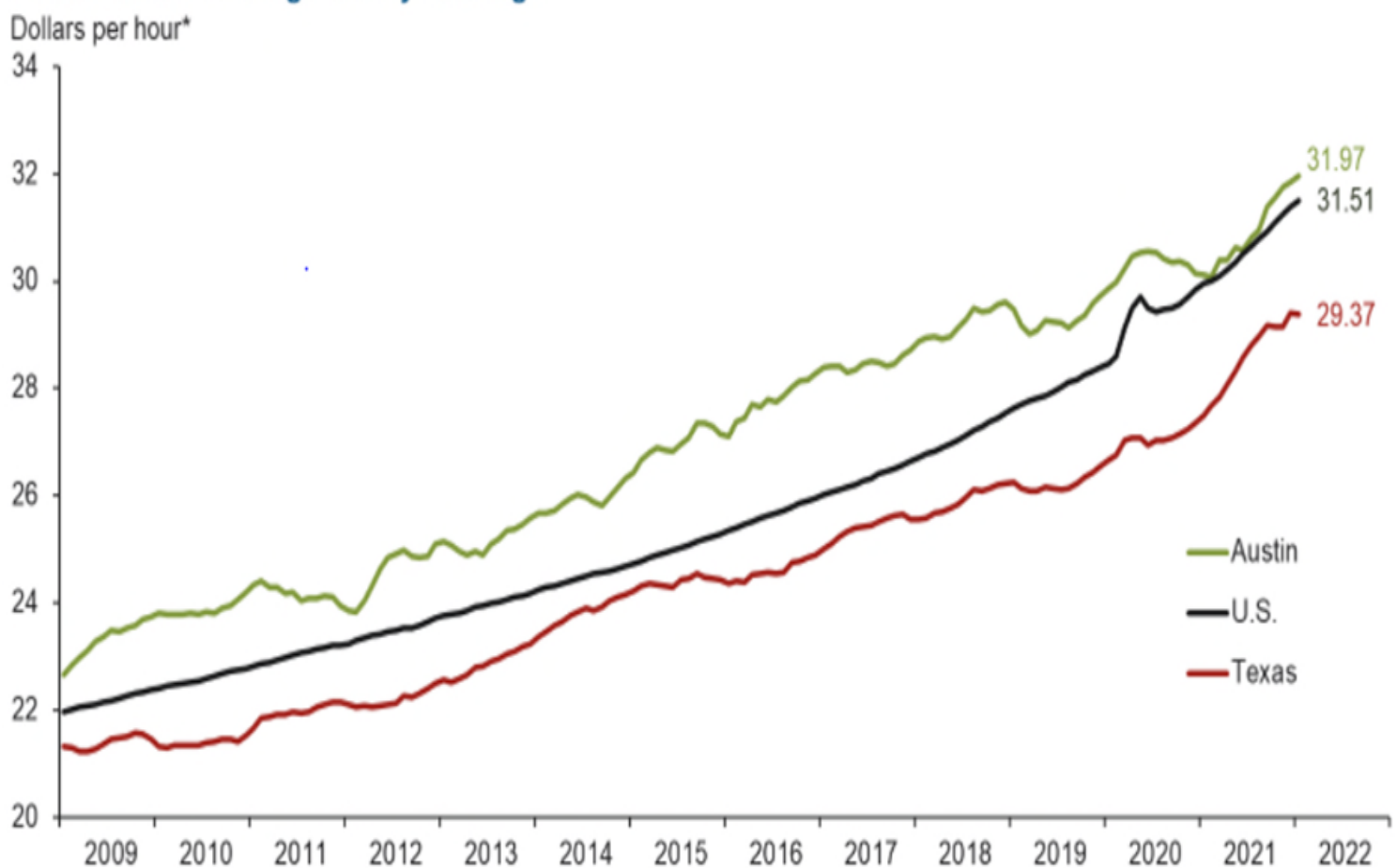
SOURCE: Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2022

JOBS – PRIVATE SECTOR AVERAGE HOURLY EARNINGS

“Private sector average hourly wages in Austin continued to show healthy growth in February. Year-over-year wages increased 5.3 percent, compared with a 4.6 percent increase in Texas. Based on a three-month centered moving average, private sector **average hourly wages in Austin climbed to \$31.97.” – Apr 2022 – Austin Economic Indicators – Dallas Fed**

Private Sector Average Hourly Earnings



*Seasonally adjusted, three-month centered moving average.

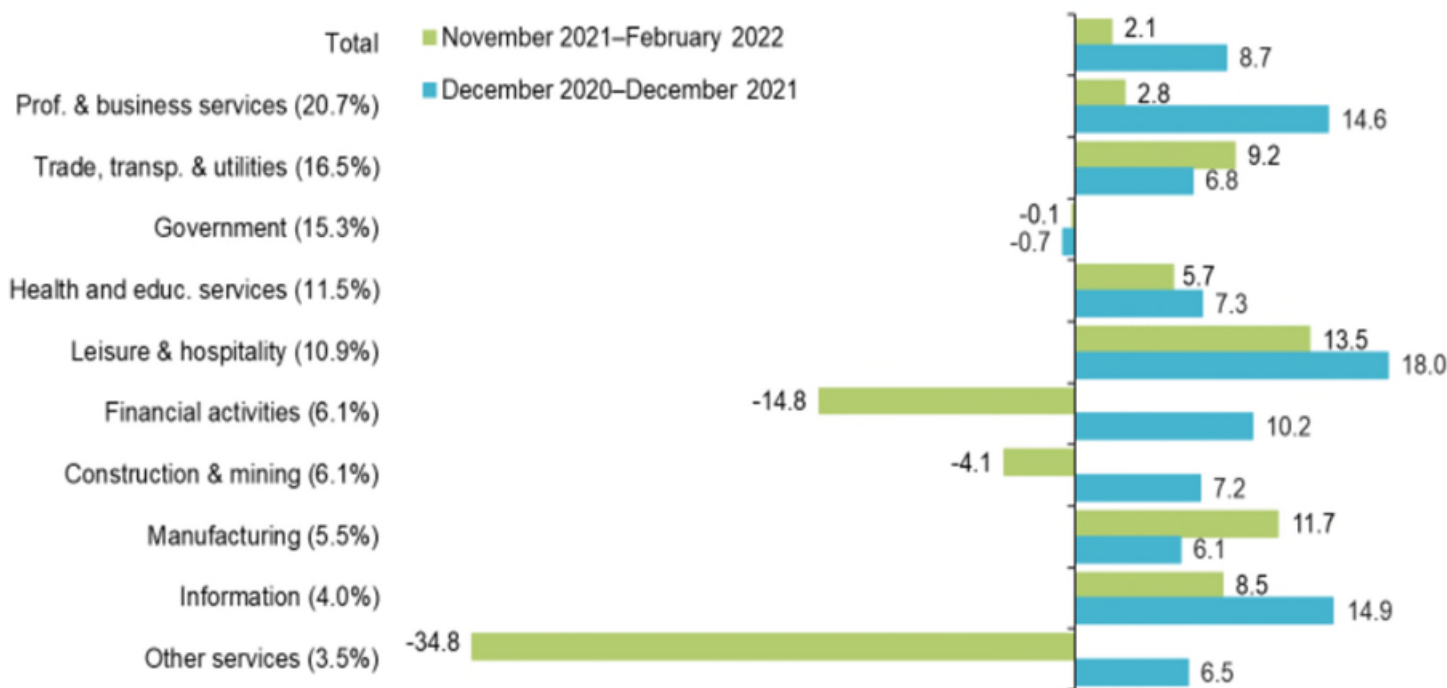
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2022

JOBS – EMPLOYMENT GROWTH RATE – AUSTIN

“Austin employment increased at a **2.1 percent annualized pace**, or by 6,353 net jobs, in the three months ending in February. **Leisure and hospitality (up 13.5 percent, or 4,122 jobs) led overall growth**, followed closely by manufacturing (up 11.7 percent, or 1,833 jobs). Sectors that saw a net decline in employment include **other services, which encompasses activities such as personal care and auto repair services (down 34.8 percent, or 4,745 jobs)**, financial activities (down 14.8 percent, or 3,026 jobs) and construction and mining (down 4.1 percent, or 773 jobs). **As of February 2022, Austin payrolls are 6.0 percent above prepandemic (February 2020) levels.** Employment rose 8.7 percent year-over-year in December 2021.”– Apr 2022 – Austin Economic Indicators – Dallas Fed

Employment Growth



NOTE: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

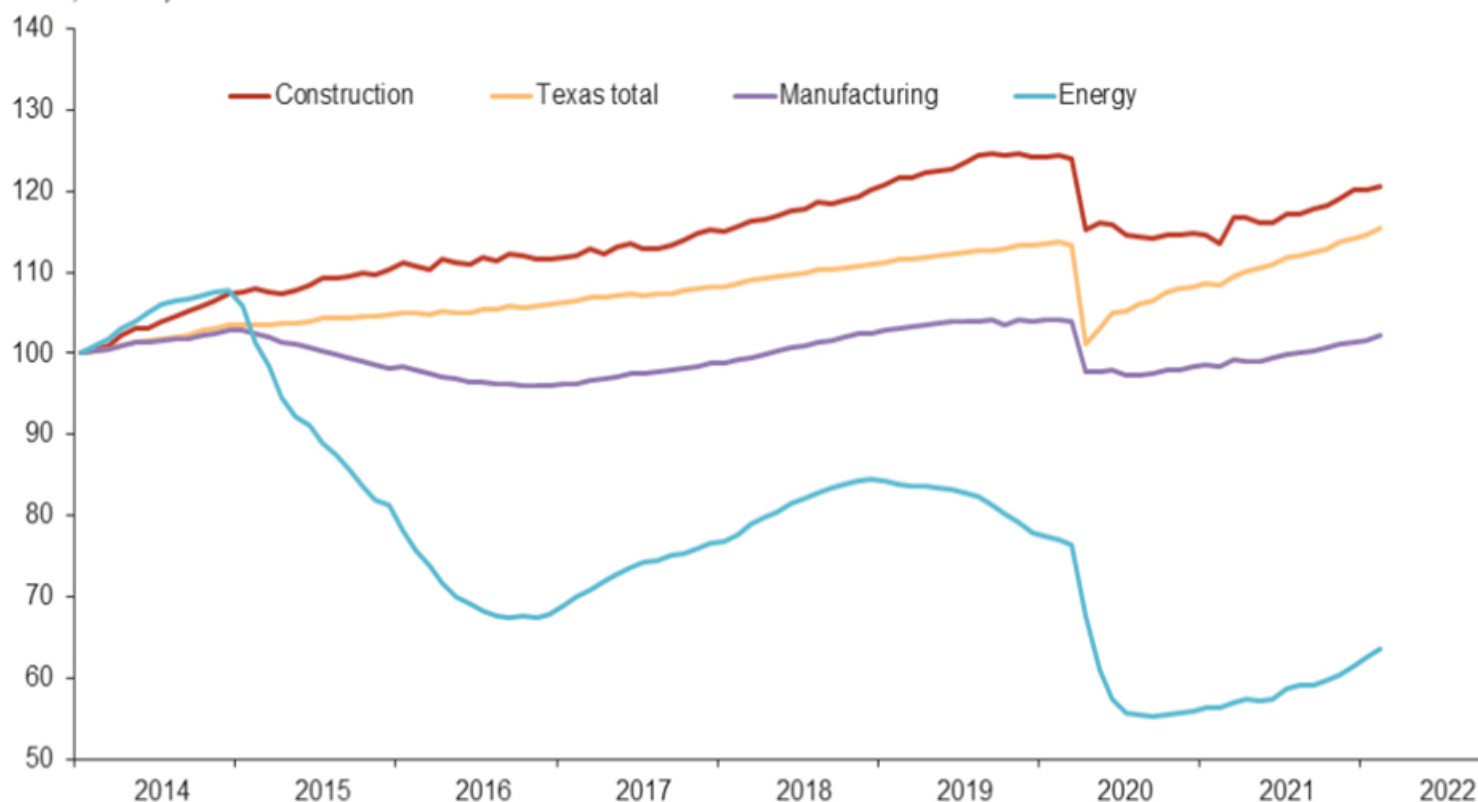
Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2022

JOBS – EMPLOYMENT GROWTH – TEXAS

“In February, the robust growth in Texas employment was reflected in the goods-producing sector. **Job growth in that sector edged closer to February 2020 levels as all three subsectors increased.** The energy subsector’s 23.7 percent gain (3,190 jobs) was the largest. Manufacturing grew 7.7 percent (5,540 jobs), and construction rose 4.1 percent (2,540). Still, employment in the goods sector remains 4.1 percent, or 78,200 jobs, below February 2020 highs. Meanwhile, **employment in the service sector has fully recovered and is 2.3 percent (254,900 jobs) above prepandemic levels.**” – Mar 2022 – Texas Economic Indicators – Dallas Fed

Employment Growth

Index, January 2014 = 100*



*Seasonally adjusted.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Provided by Texas Economic Indicators – Dallas Federal Reserve – Texas Economic Indicators – Mar 2022

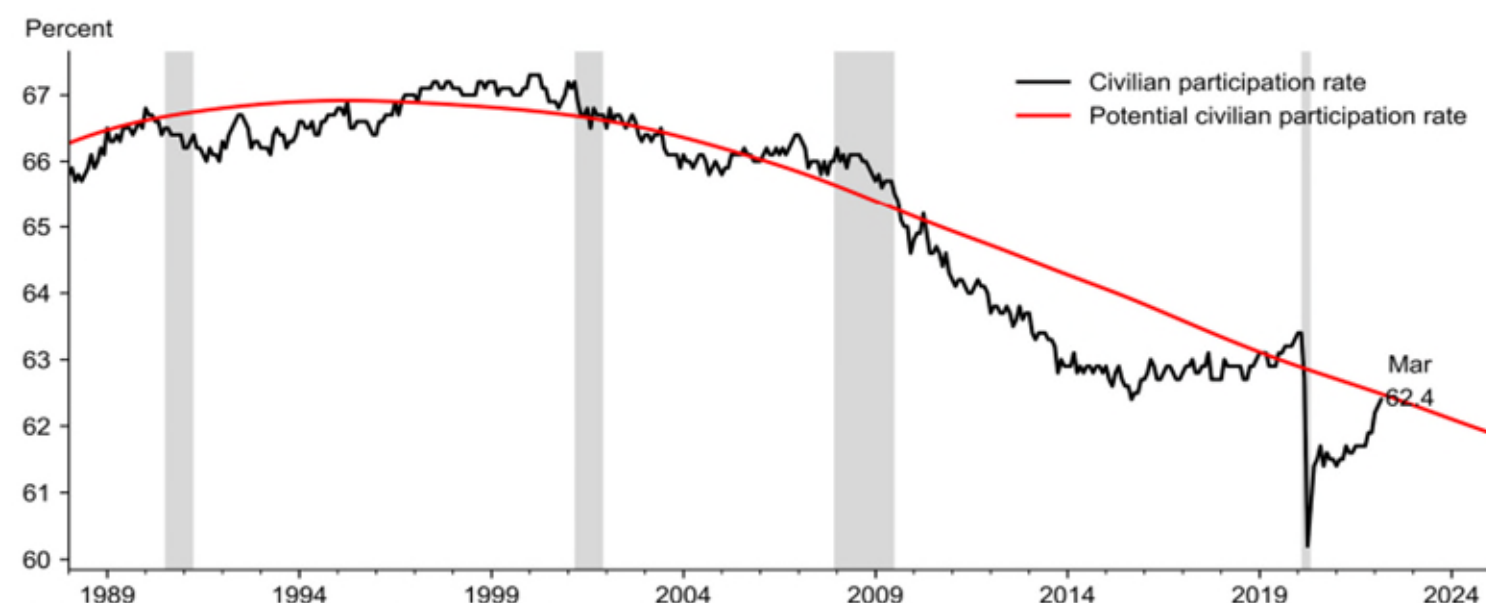
JOBS – LABOR PARTICIPATION RATE IN THE U.S.

“The labor force participation rate, at 62.4 percent, changed little in March. The employment population ratio increased by 0.2 percentage point to 60.1 percent. Both measures remain below their February 2020 values (63.4 percent and 61.2 percent, respectively).

The number of persons employed part time for economic reasons was about unchanged at 4.2 million in March and is little different from its February 2020 level. These individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs.

The number of persons not in the labor force who currently want a job increased by 382,000 to 5.7 million in March, following a decrease of a similar magnitude in the prior month. This measure is above its February 2020 level of 5.0 million. These individuals were not counted as unemployed because they were not actively looking for work during the 4 weeks preceding the survey or were unavailable to take a job.” – Mar 2022 – News Release – Bureau of Labor Statistics

Potential Labor Force Participation



SOURCE: Bureau of Labor Statistics; Congressional Budget Office.

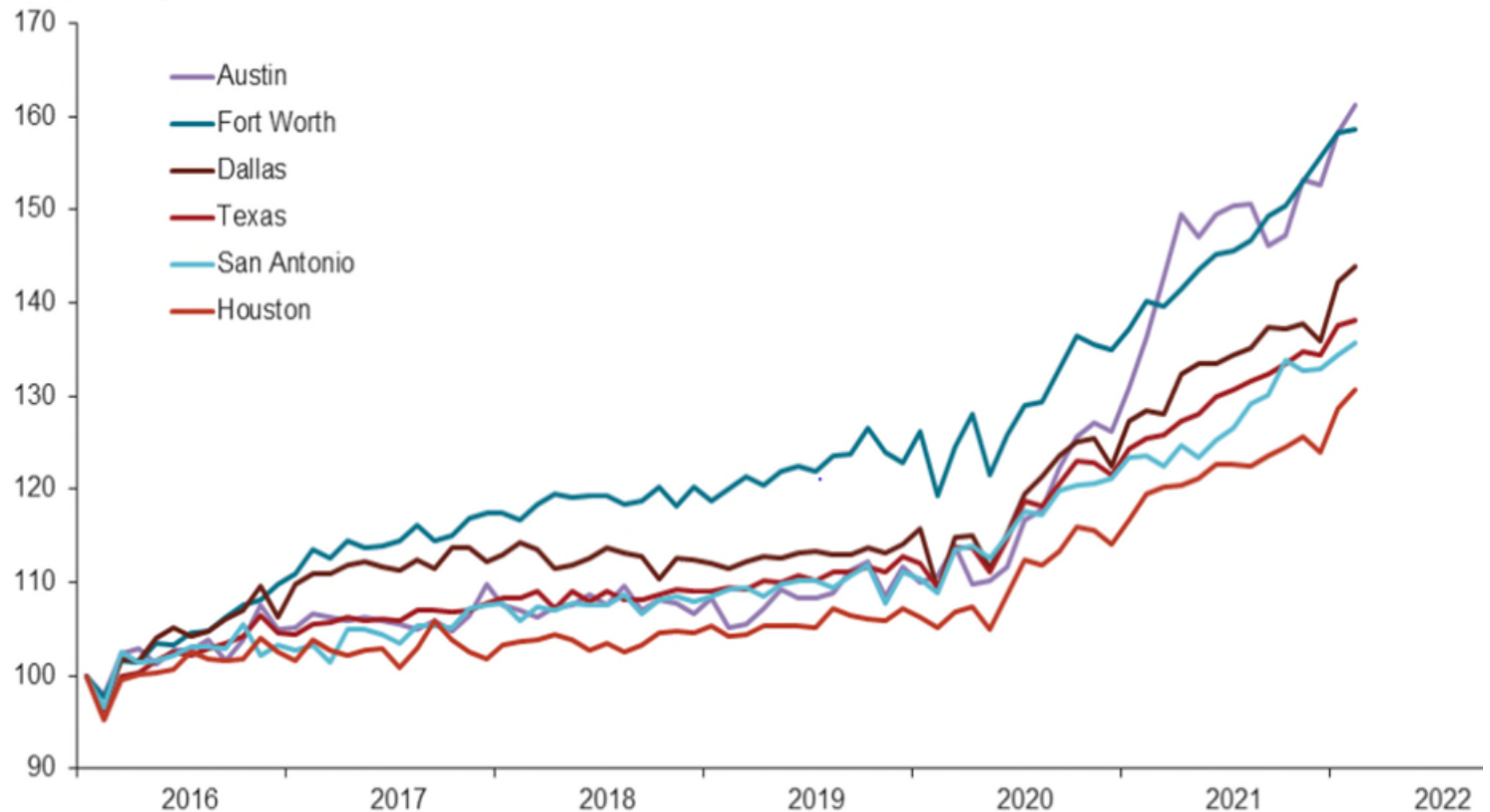
Provided by Federal Reserve of Dallas – U.S. Economy Charts – Apr 2022

HOUSING – HOME PRICES – MAJOR TEXAS METROS

“The median sales price of homes across the state rose further in February. The Texas median price (adjusted for inflation) reached a record-high \$333,720 – a 0.5 increase from January. Among the major Texas metros, **Austin experienced the fastest growth, with the median price rising 1.8 percent from January to \$515,520. Houston was next, up 1.6 percent to \$334,220. The median home price in Dallas and San Antonio rose 1.2 percent to \$411,610 and 1.0 percent to \$316,250, respectively. Fort Worth had the slowest rate of growth at 0.2 percent as the median price increased to \$349,440. Year-over-year median house price growth remained the strongest in Austin at 18.4 percent.”– Mar 2022 – Texas Economic Indicators – Dallas Fed**

Home Prices

Index, January 2016 = 100*



*Seasonally adjusted, real dollars.

SOURCE: Texas A&M Real Estate Center; Multiple Listing Service.

Provided by Texas Economic Indicators – Dallas Federal Reserve – Texas Economic Indicators – Mar 2022

HOUSING - AFFORDABILITY - AUSTIN

“Amid a hot housing market, housing affordability in Austin dipped from 55.5 percent to 50.3 percent in fourth quarter 2021 after increasing 1 percentage point in the third quarter. Housing affordability is defined as the **percentage of homes sold that the median-income household can afford. Affordability fell at the national level from 56.6 percent to 54.2 percent. Since the fourth quarter of 2020, housing affordability has retracted 19.2 percentage points in Austin and 9.1 percentage points in the nation.”** – Mar 2022 – Austin Economic Indicators – Dallas Fed

Housing Affordability



SOURCE: National Association of Home Builders/Wells Fargo.

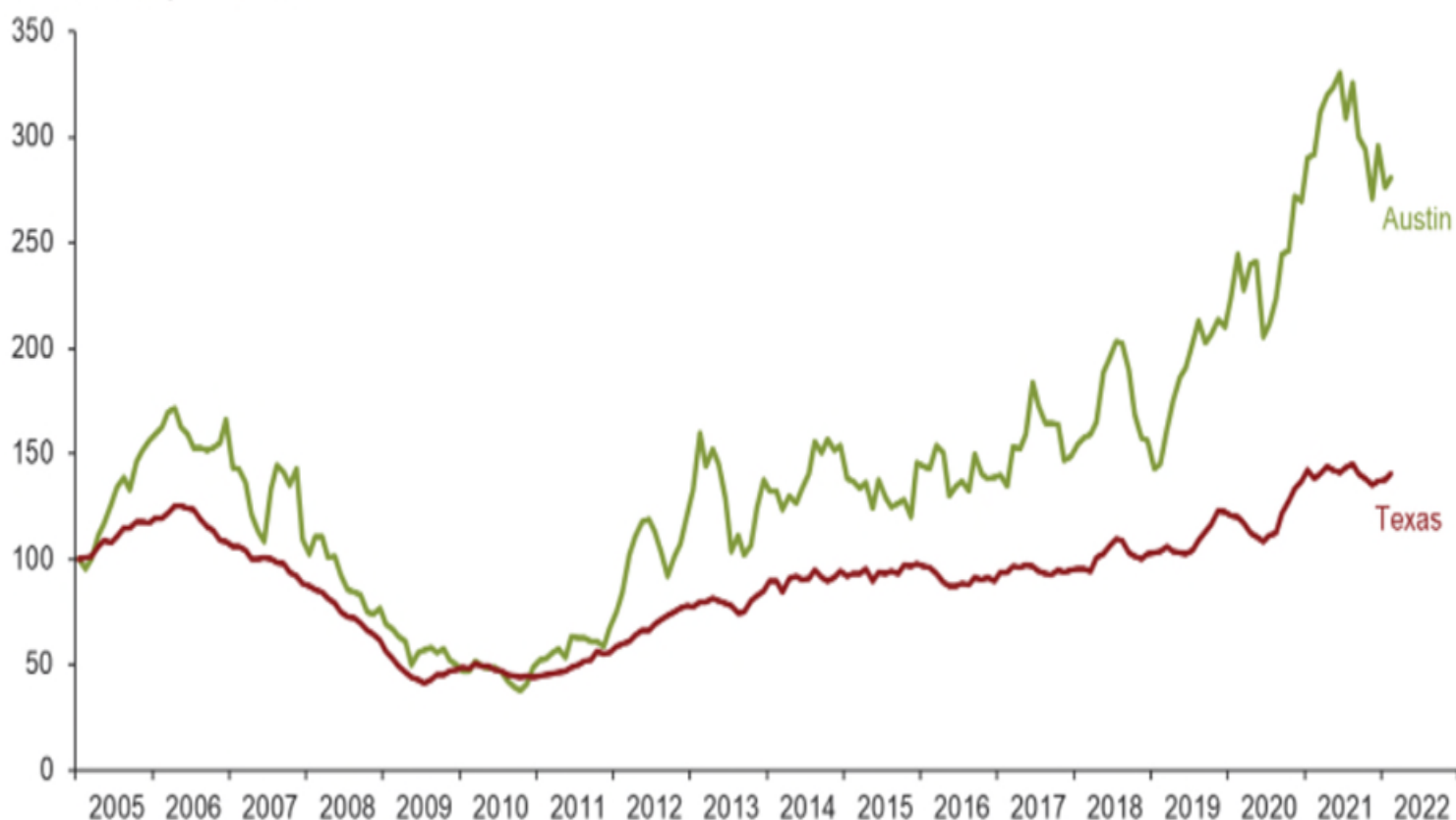
Provided by Texas Economic Indicators – Dallas Federal Reserve – Austin Economic Indicators – Mar 2022

HOUSING – HOUSING PERMITS – AUSTIN

“Austin housing permits expanded in February, with the five-month moving average posting a 1.8 percent increase after a 6.8 percent contraction in January. This compares with the state’s 2.2 percent gain in February and 0.3 percent gain in January. Compared with 2021, year-to-date housing permits are down 25 percent in the metro and up 7.1 percent statewide. In February, the median home prices in Austin and Texas reached all-time highs. The median price of homes sold was \$515,524 in the metro – an 18.4 percent rise year over year, while the median price in the state was \$333,721 – a 10.1 percent jump.” – Apr 2022 – Austin Economic Indicators – Dallas Fed

Housing Permits

Index, January 2005 = 100*



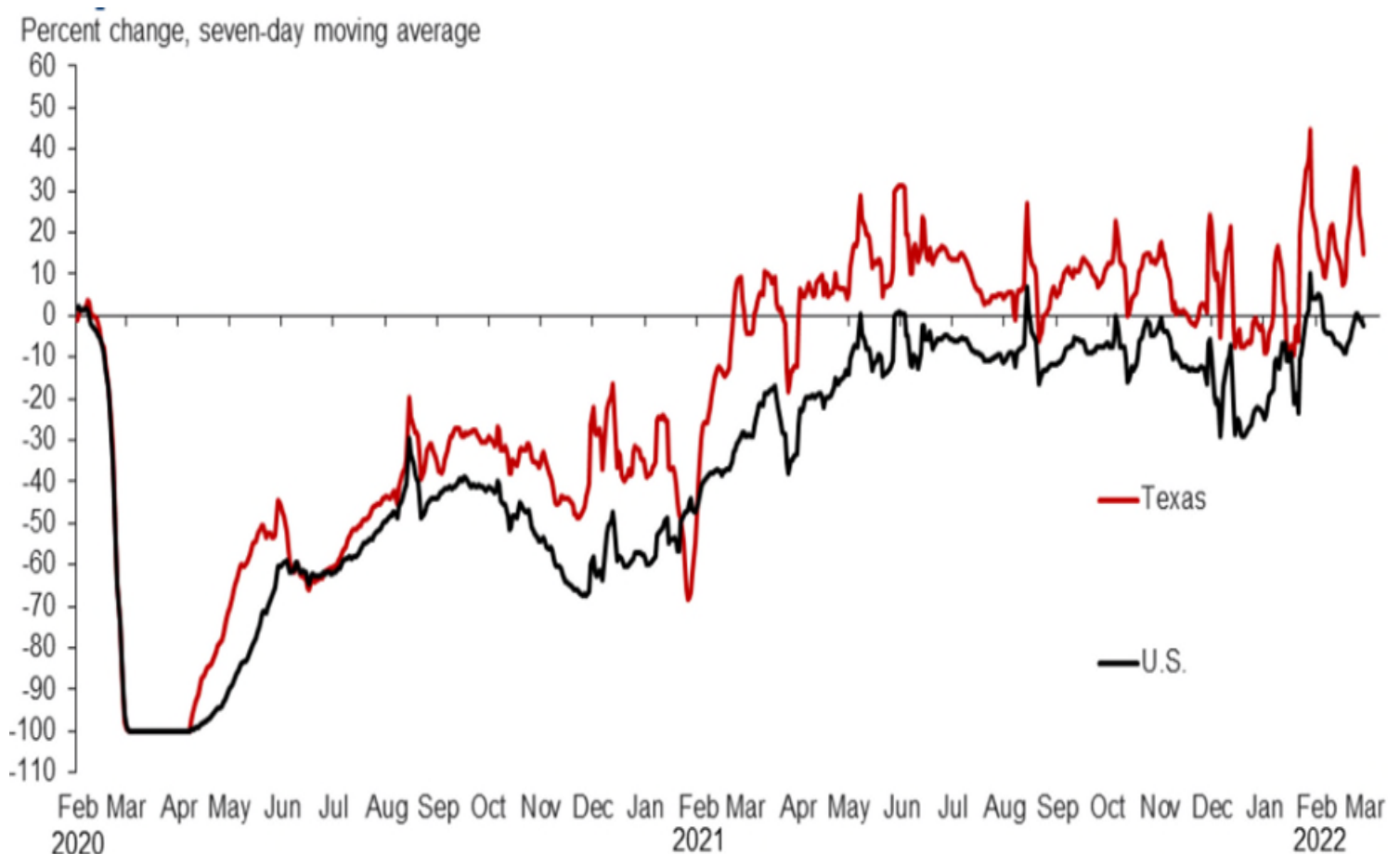
*Seasonally adjusted; five-month moving average.

SOURCE: Census Bureau.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2022

DINING OUT

“In March, the number of seated-diner reservations at restaurants remained above 2019 levels statewide but weakened nationwide, based on a seven-day moving average. The U.S. figure faltered throughout March and inched down to 2.4 percent below 2019 levels on March 23. The Texas figure, which recovered in mid-February from the COVID-19 omicron surge, was 15 percent above 2019 levels. As of March 23, Austin and San Antonio had the highest dining-out levels among the major Texas metros at 18.4 percent and 16.2 percent above 2019 levels, respectively. Dining out in Houston was up 8.6 percent, while in Dallas, it decreased 5.2 percent.” – Mar 2022 – Texas Economic Indicators – Dallas Fed



NOTE: The chart shows seven-day moving averages through March 23, 2022. Data refer to the percent change in seated diners at restaurants from the corresponding day in 2019 on the OpenTable network across all channels: online reservations, phone reservations and walk-ins.

SOURCE: OpenTable.

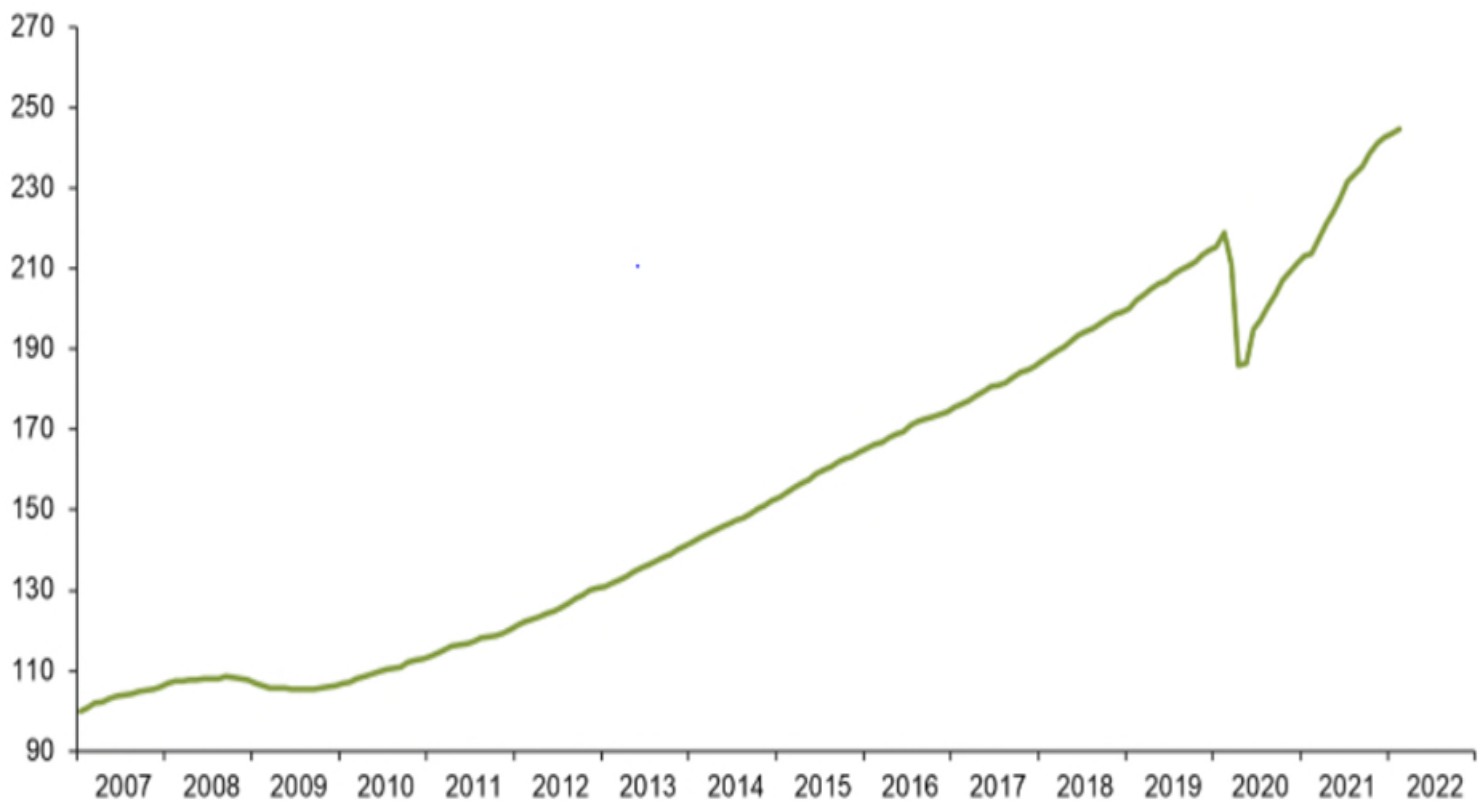
Provided by Texas Economic Indicators – Dallas Federal Reserve – Texas Economic Indicators – Mar 2022

BUSINESS CYCLE INDEX – AUSTIN MSA

“The Austin Business-Cycle Index – a broad measure of economic activity – rose an annualized 6.8 percent in February. This is a notable acceleration from the 3.6 percent pace in January.” – Apr 2022 – Austin Economic Indicators – Dallas Fed

Austin Business-Cycle Index

Index, January 2007 = 100



SOURCE: Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2022

Business Cycle Indexes are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

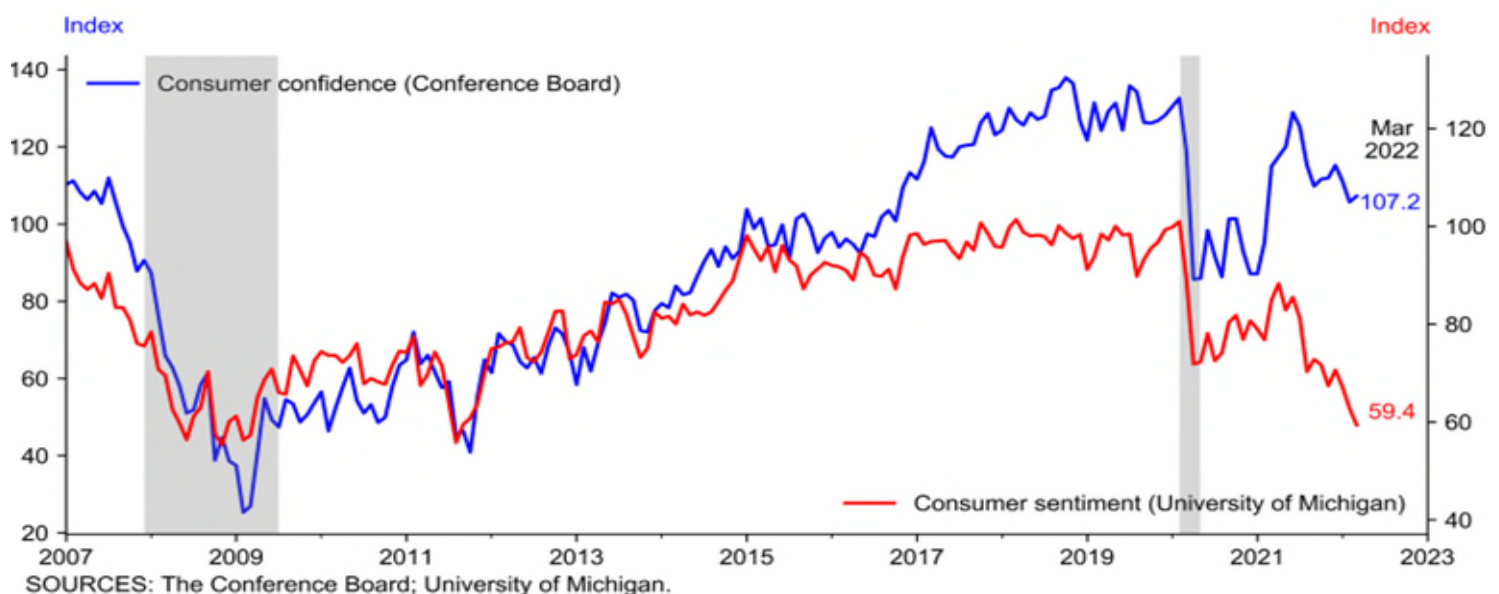
CONSUMER CONFIDENCE AND SENTIMENT – U.S.

“Consumer confidence was up slightly in March after declines in February and January,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation Index rose substantially, suggesting economic growth continued into late Q1. Expectations, on the other hand, weakened further with consumers citing rising prices, especially at the gas pump, and the war in Ukraine as factors. Meanwhile, purchasing intentions for big-ticket items like automobiles have softened somewhat over the past few months as expectations for interest rates have risen.” – March 29, 2022 – The Confidence Board

“Consumer sentiment slumped again in March, hitting its lowest level since August 2011, the University of Michigan reported Friday. High inflation, volatile oil prices, geopolitical unrest and now rising interest rates, have left consumers with a bitter taste about the state of the US economy. **The March index was revised down to 59.4** from a preliminary reading of 59.7 released two weeks ago, when rising prices and the Russia-Ukraine conflict were already spurring unease among consumers. **In March 2021, the consumer sentiment index was 84.9.”**

“When asked to explain changes in their finances in their own words, more consumers mentioned reduced living standards due to rising inflation than any other time except during the two worst recessions in the past fifty years: from March 1979 to April 1981, and from May to October 2008,” [Richard Curtin, Chief Economist] said.– Mar 25, 2022 – CNN

Consumer Confidence

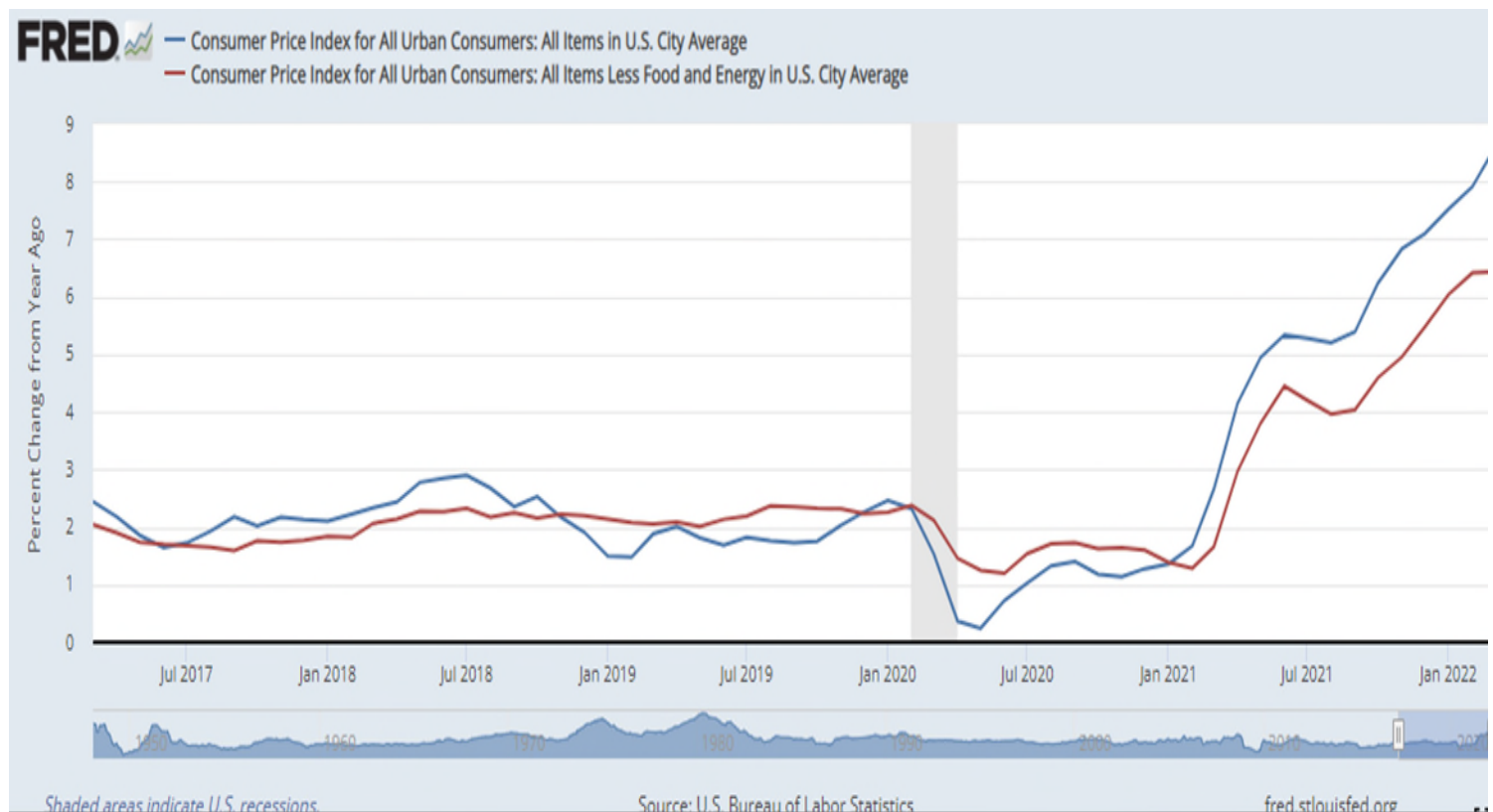


U.S. consumer **confidence** index (CCI) is defined as “the degree of optimism on the [current] state of the economy that consumers are expressing through their activities of savings and spending.” – Wikipedia U.S. consumer **sentiment** is defined as “the indicator of the future course of the national economy.” – Investopedia

CONSUMER PRICE INDEX

“The all items index continued to accelerate, rising 8.5 percent for the 12 months ending March, the largest 12-month increase since the period ending December 1981. The all items less food and energy index rose 6.5 percent, the largest 12-month change since the period ending August 1982. The energy index rose 32.0 percent over the last year, and the food index increased 8.8 percent, the largest 12-month increase since the period ending May 1981.” – Apr 2022 – Economic News Release – Bureau of Labor Statistics

Consumer Price Index - 12 Month Percentage Change



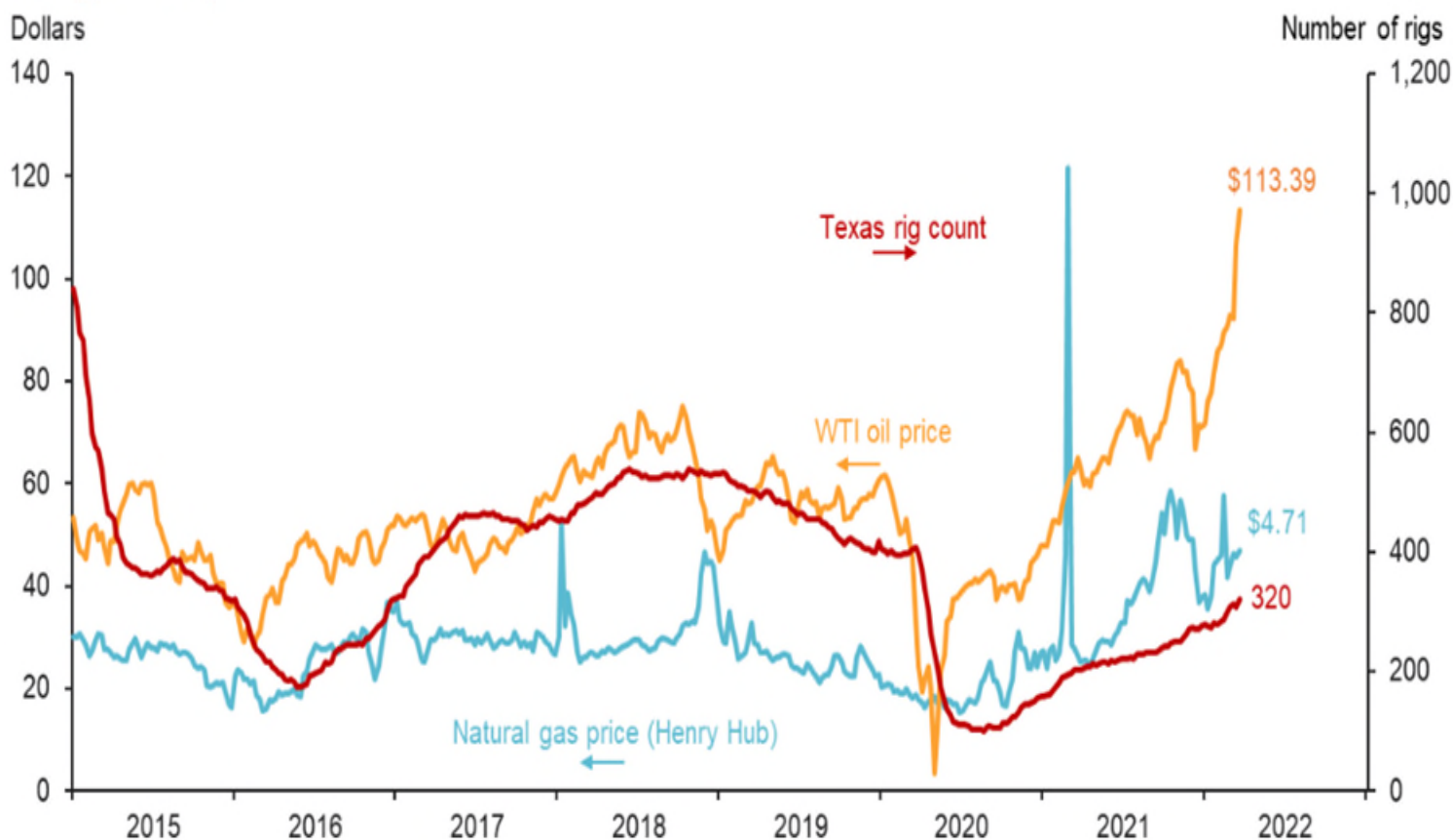
Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**.” The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

OIL AND NATURAL GAS

“Amid the Russia-Ukraine conflict, oil prices surged to their highest level since 2008. As of the week ending March 11, the price of West Texas Intermediate (WTI) crude spiked to \$113.39 per barrel, an increase of \$21.21 since the start of the conflict. Prices have since slid below \$100. Natural gas (Henry Hub) prices were less affected by the recent geopolitical tensions, edging up 9 cents to \$4.71 per MMBtu from the prior two weeks. The number of active rigs in Texas rose from 312 to 320 over the same period but remained below prepandemic levels.” – Mar 2022 – Texas Economic Indicators – Dallas Fed

Energy Activity



NOTE: Data are through the week ending March 11, 2022. The West Texas Intermediate (WTI) oil price is dollars per barrel; the natural gas price is dollars per million British thermal units, multiplied by 10.

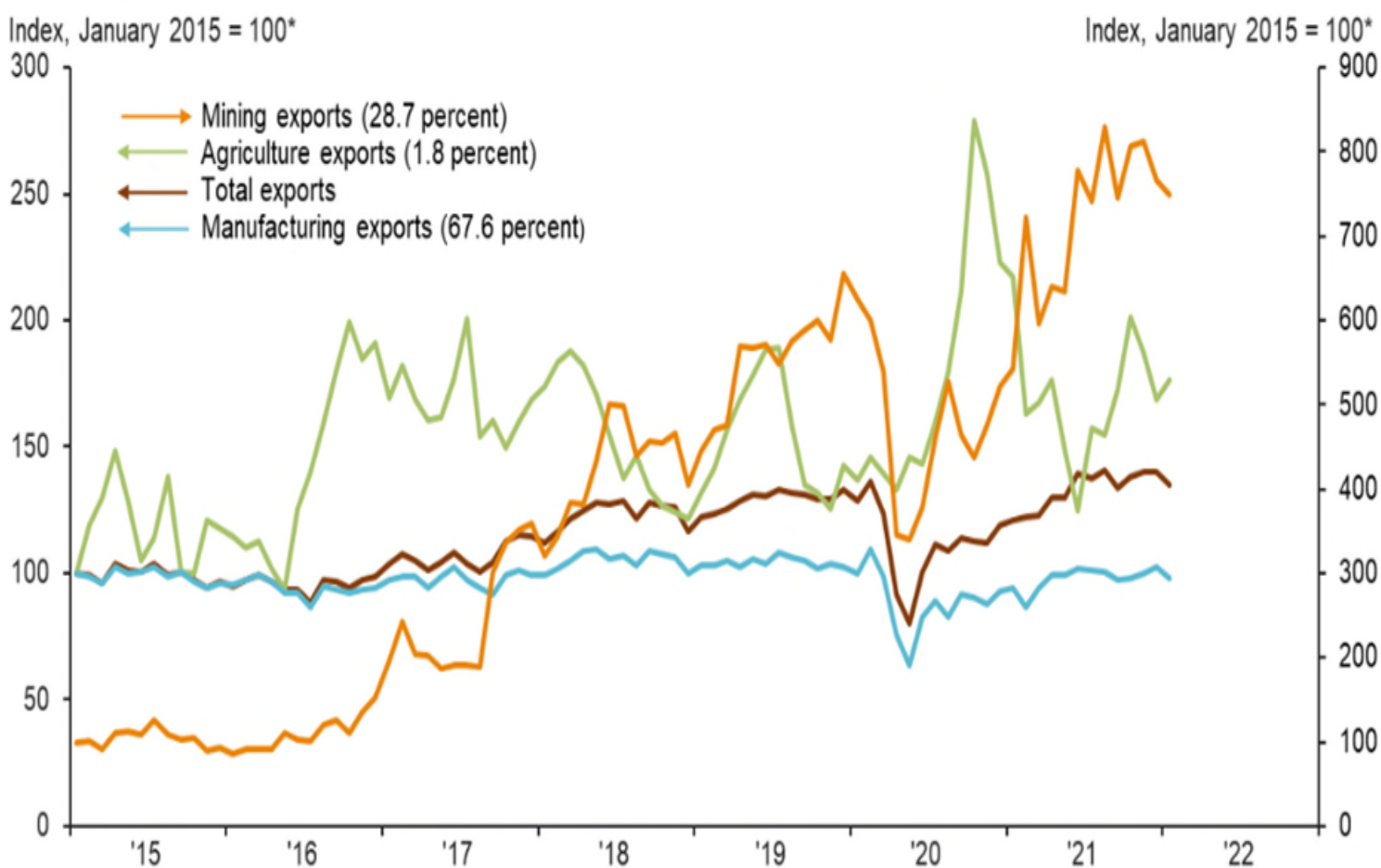
SOURCE: Baker Hughes; Energy Information Administration; Wall Street Journal.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Mar 2022

TEXAS EXPORTS

“Texas exports dipped in January but remained close to their recent highs. As of January 2022, statewide exports fell 3.7 percent due to a decline in manufacturing and mining exports. Mining exports fell 2.4 percent but were still 25 percent above prepandemic levels. Manufacturing exports fell 4.4 percent and were 10 percent below prepandemic levels. Agricultural exports expanded 4.7 percent and were 21 percent above prepandemic levels. U.S. exports fell 4.4 percent in January.” – Mar 2022 – Texas Economic Indicators – Dallas Fed

Texas Exports



*Seasonally adjusted, real dollars.

NOTE: Numbers in parentheses refer to share of 2021 exports.

SOURCE: Census Bureau; Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Mar 2022

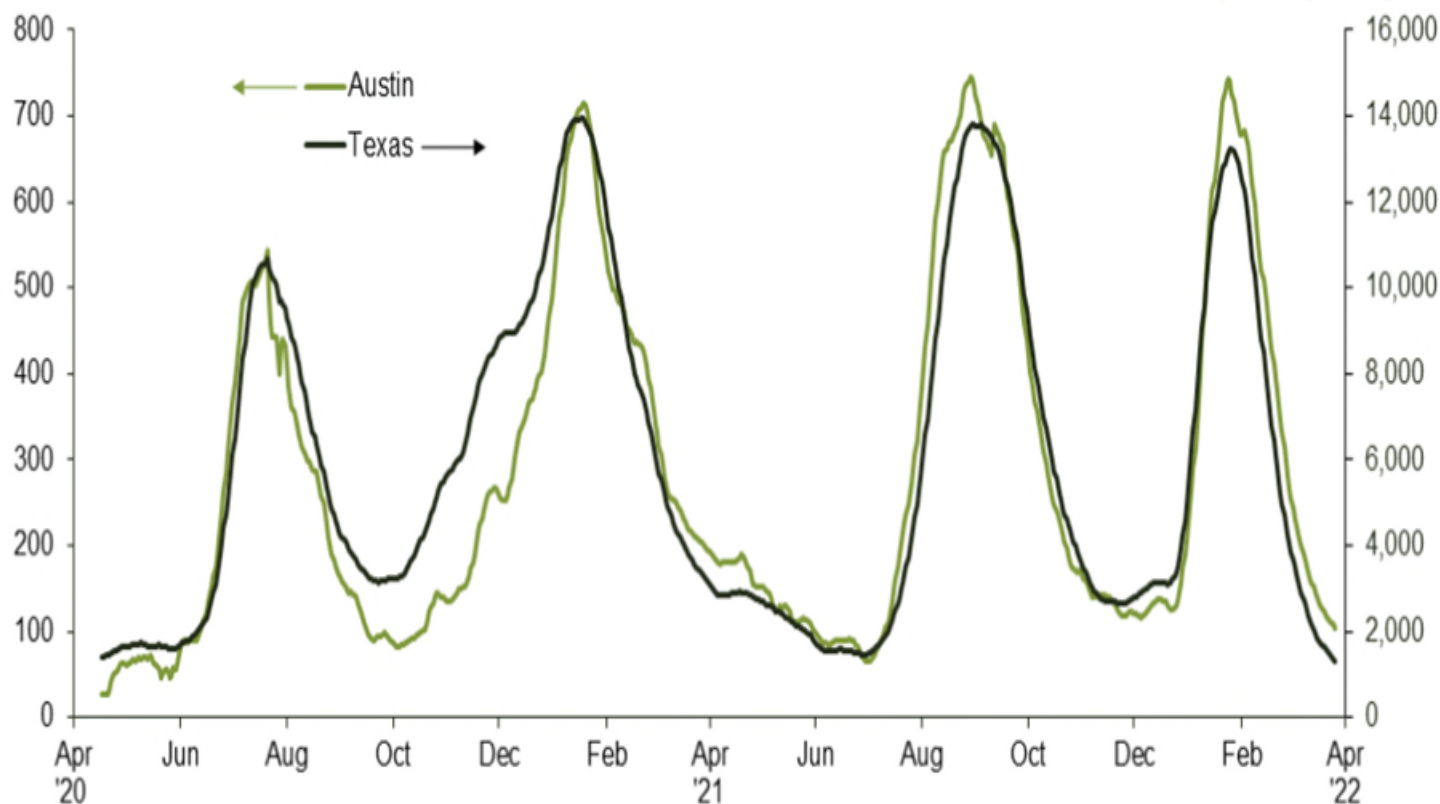
COVID-19 HOSPITALIZATIONS – AUSTIN

“The number of people hospitalized with COVID-19 in Austin and Texas continued to sink in February. **COVID-19 hospitalizations recently reached their lowest levels in Austin since early July 2021**, while statewide hospitalizations reached their lowest levels since early 2020. As of March 26, 105 people in Austin and 1,335 in the state were hospitalized with COVID-19.” – Apr 2022 – Austin Economic Indicators – Dallas Fed

COVID-19 Hospitalizations

Count, seven-day moving average

Count, seven-day moving average



NOTE: Data for Austin refer to the area covered by the Austin Trauma Service Area. Data are daily, seven-day moving averages through March 26, 2022.

SOURCE: Texas Department of State Health Services.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Apr 2022

SOMETHING OF INTEREST

“The five most common passwords are 123456, 123456789, picture1, password and 12345678, according to 2020 research from NordPass.” – Security.org

Password	How Many People Use It?	How Much Time Did It Take To Crack?	How Many Times Has It Been Exposed?
123456	2,543,285	Less than 1 second	23,597,311
123456789	961,435	Less than 1 second	7,870,694
picture1	371,612	3 hours	11,190
password	360,467	Less than 1 second	3,759,315

“A password should be 16 characters or more; our password-related research has found that 45 percent of Americans use passwords of eight characters or less, which are not as secure as longer passwords.

A password should include a combination of letters, numbers, and characters.

A password shouldn’t be shared with any other account.” – Security.org

How Safe Is Your Password?

Time it would take a computer to crack a password with the following parameters

	Lowercase letters only	At least one uppercase letter	At least one uppercase letter +number	At least one uppercase letter +number+symbol
1	Instantly	Instantly	-	-
2	Instantly	Instantly	Instantly	-
3	Instantly	Instantly	Instantly	Instantly
4	Instantly	Instantly	Instantly	Instantly
5	Instantly	Instantly	Instantly	Instantly
6	Instantly	Instantly	Instantly	Instantly
7	Instantly	Instantly	1 min	6 min
8	Instantly	22 min	1 hrs	8 hrs
9	2 min	19 hrs	3 days	3 wks
10	1 hrs	1 mths	7 mths	5 yrs
11	1 day	5 yrs	41 yrs	400 yrs
12	3 wks	300 yrs	2,000 yrs	34,000 yrs

Source: Security.org



U.S. POSTAL SERVICE TO SLOW FIRST-CLASS PACKAGE DELIVERY

“The U.S. Postal Service said Monday [April 18] that it would **slow delivery times for nearly a third of all first-class packages** as part of its effort to lower costs and reduce its reliance on air transportation.

The new service standards, **scheduled to go into effect May 1**, will add up to one or two days to some packages traveling long distances. **Most package delivery times will be unaffected**, and a small amount will arrive one day sooner.

The longer delivery times are part of the Postal Service’s **plan to reduce more than \$160 billion in projected losses over the next decade**. Postmaster General Louis DeJoy introduced the plan last year, which broadly called for slower delivery times, higher shipping rates and pivoting the Postal Service to deliver more packages.

‘This action will contribute to our cost savings efforts and improve our reliability across all product classes, including our growing package market,’ Mr. DeJoy said Monday. **The slower delivery speeds will allow the Postal Service to use more trains and trucks to transport parcels instead of an air network**, which it says is more costly and has reliability issues. The agency proposed the new delivery standards for first-class packages in May.

The plan drew skepticism from the Postal Regulatory Commission, which said in a September **advisory opinion that the Postal Service’s cost-savings estimates may be overstated** and that the proposal ‘would not substantially affect the Postal Service’s overall financial condition.’

‘At present, the Postal Service has not demonstrated that it can achieve reliability, efficiency, and economy in its service standard changes,’ the federal watchdog said.” – Apr 2022 – WSJ



Photo: Angus Mordant/Bloomberg News; Provided by The Wall Street Journal

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

“There’s an investment that’s 100% backed by the U.S. government, never loses its value and is paying more than 7% interest a year. So, why haven’t most Americans heard of Series I Savings Bonds?”

They also offer tax benefits. Holders can choose to defer declaring I Bond interest until maturity or redemption. That income may be tax-exempt for lower - and middle-income families that use the bond to pay for college tuition.

For investors seeking a safe and high-yielding investment, there is ‘nothing nearly as good as the I Bond,’ said Joshua Rauh, a senior fellow at Stanford’s Hoover Institution.

The bonds could pay more if Treasury Secretary Janet Yellen chooses to raise the fixed interest rate, which has held at 0% since May 2020.

Even without a bump from Ms. Yellen, the rate will be more than 150 times the annual interest paid by the average U.S. bank on a savings account and more than triple the current yield on a 30-year U.S. Treasury bond. It’s also almost triple the 3.54% the I Bonds paid just one year ago.” – Apr 2022 – The Wall Street Journal (WSJ)



Photo: ISTOCK Provided by The Wall Street Journal

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

WHAT ARE SERIES I BONDS?

"I Bonds are inflation-protected bonds, issued by the U.S. treasury, meant to help retail investors save for retirement, and protect their savings from inflation." – Feb 2022 – Seeking Alpha

"I Bonds are guaranteed by the federal government. The bonds pay a fixed rate that is set by the Treasury, plus an inflation-adjusted rate that is determined by the change in CPI over the past six months. Thanks to the upward trajectory of CPI, I Bonds have become a top yielding U.S. asset, even though they carry virtually no risk of principal loss." – Apr 2022 – The Wall Street Journal (WSJ)

WHAT ARE THE TWO TYPES OF INTEREST AN I BOND CAN EARN?

"The two types of interest that a Series I bond earns are an interest rate that is fixed for the life of the bond and an inflation rate that is adjusted each May and November based on changes in the non-seasonally adjusted consumer price index for all urban consumers (CPI-U).

The fixed-rate component of the Series I bond is determined by the Secretary of the Treasury and is announced every six months on the first business day in May and the first business day in November. That fixed rate is then applied to all Series I bonds issued during the next six months is compounded semiannually and does not change throughout the life of the bond.

Like the fixed interest rate, the **inflation rate is announced twice a year in May and November and is determined by changes to the Consumer Price Index (CPI)**, which is used to gauge inflation in the U.S. economy. The change in the inflation rate is applied to the bond every six months from the bond's issue date.

In effect, **the interest paid on Series I bonds is variable and changes over time,** making it difficult to forecast the value of the bonds years from today." – Investopedia

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK



*Photo: TNS/Zuma Press
Provided by The Wall Street Journal*

WHAT ARE I BONDS PAYING NOW AND POTENTIALLY IN THE FUTURE?

"I bonds, backed by the U.S. government, won't lose value and pay interest based on two parts, a fixed rate and a variable rate, changing every six months based on the consumer price index.

If you purchase I bonds by the end of April, you'll lock in 7.12% for the next six months, followed by an estimated 9.62% for another six months, for a 12-month average of 8.37%, according to Ken Tumin, founder and editor of DepositAccounts.com, who tracks these assets." – Apr 2022 – CNBC

"Less risk often means lower returns. But that's not the case with I bonds, an inflation-protected and government-backed asset, which **may soon pay an estimated 9.62%.** I bonds **currently offer 7.12% annual returns through April,** and the rate may reach 9.62% in May based on the latest consumer price index data. Annual inflation grew by 8.5% in March, according to the U.S. Department of Labor.

'The 9.62% is an eye-watering number,' said certified financial planner Christopher Flis, founder of Resilient Asset Management in Memphis, Tennessee. 'Especially given how other fixed-income assets have performed this year.'

Of course, **the 9.62% return is an estimate until the U.S. Department of the Treasury announces new rates on May 2.** Still, I bonds may be worth a look if you're seeking ways to beat inflation." – Apr 2022 – CNBC

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

SHOULD ONE BUY I BONDS THIS APRIL OR WAIT UNTIL MAY?

“Zvi Bodie has done as much as anyone, if not more, to champion I-Bonds. Bodie, now retired, was for four decades a finance professor at Boston University. In an interview, he said that buying I-Bonds is a no-brainer, and he implores all of us to purchase as much as we can each and every year.

Buy now or in May?

The only real question is whether to buy an I-Bond now or wait until May. It’s tricky because your I-Bond’s inflation-adjustment factor will be reset every six months based on the initial month of your purchase. So if **you purchase an I-Bond now, the interest you will earn over the next six months will be the rate the U.S. Treasury set last November – 7.1%. And during the six-month period beginning this coming October, your rate will be equal to the rate the U.S. Treasury will establish in May – which I expect will be 9.6%. That averages out to 8.4%.**

That’s not half bad, of course. Could you do better over the next 12 months by waiting until May to purchase? The answer depends on what the trailing 6-month inflation rate will be this fall when the Treasury establishes the new I-Bond interest rate. If it’s lower than 7.1%, then you would be better off buying an I-Bond this month. If it’s higher, then you should wait until May.

Your guess is as good as mine which of these two scenarios will play out.

Bodie suggests that if you don’t want to bet what inflation will be like this fall, you simply split your I-Bond purchase in two, buying half now and half in May.

It’s hard to go wrong even if you make the ‘wrong’ choice, however. **Even if you wait until May to buy an I-Bond and November’s reset rate is as low as 4%, you still will earn 6.8% over the 12 months from April 30 of this year to April 30 of next year.** That’s far better than any alternative savings vehicle that guarantees the return of principal.” – Apr 2022 - MarketWatch

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

SHOULD ONE BUY I BONDS THIS APRIL OR WAIT UNTIL MAY? (cont.)

“In any case, Harry Sit, author of The Finance Buff blog, reminds us that there is no need to focus on just the next 12 months. In an email, he pointed out that **‘I-Bonds are good for 30 years.’** Unlike TIPS, furthermore, I-Bonds are structured so that **their yield can never be negative.**

Sit recommends that we buy I-Bonds this month rather than wait until May. He points out that **you earn an entire month’s worth of interest even when you buy near the end of the month.** So that yield of more than 8% that I mentioned at the start can really be thought of as even better, since it is for a holding period shorter than a year—as short as 11 months and one day.

Sit cautions, however, that since April 30 this year is a Saturday, you shouldn’t try to cut it too close. **‘The last day to issue the [I-Bond] for April is April 29. The order has to be in on April 28 at the latest.** I would give a few more days of buffer just in case something goes wrong. If you don’t have an account set up already, sometimes they [the U.S. Treasury] require extra ID verification, which takes time to resolve. If you already have an account good to go, you can pre-schedule the purchase now for the 27th. If it fails somehow, you still have another chance on the 28th.’” – Apr 2022 - MarketWatch

HOW DOES ONE BUY SERIES I BONDS?

“[T]here are only two ways to purchase these assets: online through TreasuryDirect, limited to \$10,000 per calendar year for individuals or using your federal tax refund to buy an extra \$5,000 in paper I bonds.

You may also buy more I bonds through businesses, trusts or estates. For example, a married couple with separate businesses may each purchase \$10,000 per company, plus \$10,000 each as individuals, totaling \$40,000.” – Apr 2022 - CNBC

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

WHY DO I BONDS PAY SO WELL?

"I Bonds were introduced in 1998 by former Vice President Al Gore and Treasury Secretary Robert Rubin as a way to help Americans save for investments like college and retirement and to 'ensure that those savings will never be undercut by future inflation,' Mr. Gore said at the time." – Apr 2022 – WSJ

"In simple terms, I Bonds have comparatively strong yields **because the U.S. Treasury structured the product to make it so**. They did so by deciding that the product should pay, as a minimum, the inflation rate, regardless of how high inflation goes up. Other securities, even other U.S. Treasury inflation-protected securities, have no such stipulation, and so tend to pay less when inflation is particularly high. As an example, 5-Year TIPs currently [Feb 2022] pay inflation minus 1.2%, which is, by definition, 1.2% less than U.S. inflation / I Bond yields." – Feb 2022 – Seeking Alpha



Provided by Juan de la Hoz – Feb 2022 - Seeking Alpha

IN-DEPTH TOPIC – SERIES I BONDS - HIGH YIELD, LOW RISK

WHY INVEST IN A SERIES I SAVINGS BOND?

“I Bonds' investment thesis is quite simple, and quite potent. **I Bonds provide investors with strong, above-average, inflation-protected 7.12% dividend yields, at effectively no risk.** This is an incredibly strong risk-return profile, and significantly stronger than that of all relevant fixed-income sub-asset classes.” – Feb 2022 - Seeking Alpha

Asset Class	Ticker	Current Yield	Credit Risk	Interest Rate Risk	Inflation-Protected
I Bonds	-	7.12%	Nil	Nil	Yes
Savings Accounts	-	0.06%	Nil	Nil	No
CDs	-	0.14%	Nil	Nil	No
Treasuries	IEF	0.88%	Nil	High	No
TIPs	SCHP	4.73%	Nil	Moderate	Yes
High-Yield Bonds	HYG	4.14%	High	Low	No

Provided by Juan de la Hoz – Feb 2022 - Seeking Alpha

“As can be seen above, I Bonds currently [Feb 2022] yield more than all comparable fixed-income sub-asset classes, at effectively no risk, and are inflation-protected to boot. It is extremely rare for an asset class to be this broadly superior to relevant alternatives, but that is currently the case for I Bonds. Said securities have higher yields than high-yield corporate bonds, while being as safe as a savings account or a certificate of deposit, a solid combination.”

“The U.S. Treasury decided to give I Bonds particularly attractive conditions as these securities are meant to help retail investors save for retirement, and protect their savings from inflation. TIPs are meant for institutional investors, so the government is less concerned with ensuring the securities are an attractive savings vehicle, at least insofar as it can adequately fund its operations. Other bonds trade with market prices, and the market is not currently offering investors securities with +7.0% yields with no credit risks: there is simply too much money chasing too few investment opportunities for such securities/situation to exist.” – Feb 2022 – Seeking Alpha

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

HOW LONG DO SERIES I BONDS HAVE TO BE HELD?

“I Bonds must be held by investors for at least one year. At the same time, if held for less than five years, investors lose the previous three months of interest. These are the I Bonds' most significant negative, and mean that the bonds are inappropriate for short-term investors who need or desire liquid, short-term investments.” – Feb 2022 – Seeking Alpha

IS THE INTEREST EARNED BY A SERIES I BONDS TAXABLE?

“Interest income for Series I bonds is taxable at the federal level, but not at the state and local levels. The series I bond is a zero-coupon bond, meaning that no interest is paid during the life of the bond. The interest is, instead, added back to the value of the bond and earns interest on interest. **The bondholder has the option of selecting one of two methods of taxation—the cash method or the accrual method.**

Under the cash method, tax is only applied when the bonds are redeemed. Therefore, a taxpayer that holds a bond for seven years before selling it will only be taxed at the time the bond is sold. **Using the accrual method, on the other hand, taxes on the imputed interest earned are applied every year.**

Sometimes, the Series I-bond income is tax-free at the federal level if it is used to pay for higher education. When you sell an I-bond and use the proceeds to pay for qualified higher education expenses at an eligible institution in the same calendar year, the interest is exempt from federal income tax.” - Investopedia

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

HOW LONG DOES IT TAKE FOR A SERIES I BOND TO REACH MATURITY?

“These bonds are issued at face value with a 30-year final maturity: a 20-year original maturity period immediately followed by a 10-year extended maturity period.” – Investopedia

WHAT ARE SOME OF THE DOWNSIDES TO I BONDS?

“One of the drawbacks of I bonds is you can’t redeem them for at least one year, said George Gagliardi, a CFP and founder of Coromandel Wealth Management in Lexington, Massachusetts. And if you cash them in within five years, you’ll lose the previous three months of interest.

‘I think it’s decent, but just like anything else, nothing is free,’ he said.

Another possible downside is lower future returns. The variable portion of I bond rates may adjust downward every six months, and you may prefer higher-paying assets elsewhere, Gagliardi said. But there’s only a one-year commitment with a three-month interest penalty if you decide to cash out early.

Still, I bonds may be worth considering for assets beyond your emergency fund, Flis from Resilient Asset Management said.

‘I think that the I bond is a wonderful place for people to put the money they don’t need right now,’ he said, such as an alternative to a one-year certificate of deposit.

‘But I bonds aren’t a replacement for long-term funds,’ Flis said.” – Apr 2022 - CNBC

IN-DEPTH TOPIC - SERIES I BONDS - HIGH YIELD, LOW RISK

TAX REFUNDS CAN BE USED TO PURCHASE I BONDS FOR SELF OR OTHERS AND/OR USED TO EXCEED THE ANNUAL PER PERSON PURCHASE LIMIT

“There is a \$10,000 annual limit per person for I Bonds, but it is possible to exceed that ceiling by accepting the bonds in lieu of a cash tax refund.” – Apr 2022 – WSJ

“Up to \$5,000 of your tax refund is eligible to be put into I Bonds a year, under the Internal Revenue Service program.

The **I Bonds are available in \$50 increments**, and you can elect to have the remaining portion of a refund not used to purchase I Bonds to be directly deposited into your financial institution, your TreasuryDirect account or mailed to you as a check, said Pamela Ladd, senior manager for public accounting for the American Institute of Certified Public Accountants. For instance, a married couple filing jointly could purchase \$5,000 in total with their refund.

When you purchase savings bonds with your tax refund, you’ll receive paper bonds, issued in your name or the names you designate as a primary owner, co-owner or beneficiary.

You can use your tax refund to buy I Bonds for other people, such as a child or relative, said Elliot Pepper, a financial planner in Baltimore. For example, if you have a \$5,000 refund coming, [you could] get \$3,000 in I Bonds for yourself and \$1,000 each for two children.

How do I use my refund to buy I Bonds?

If you file your taxes electronically, either with a paid preparer or when you self-prepare, you should be asked by the preparer or the software to provide any relevant information such as the owner’s first and last names for the bond registration.

If you paper-file your tax return, attach a completed Form 8888, Allocation of Refund to your return before mailing it, said Ms. Ladd. The IRS will forward your request for savings bonds to the Treasury Retail Securities site, which you can contact at (844) 284-2676 to check on the status of your bond issuance.” – Apr 2022 – WSJ

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4th Qtr 2018
Afterpay	4th Qtr 2020
Alibaba	3rd Qtr 2017
Bitcoin	4th Qtr 2016
Cashless Society	4th Qtr 2017
Chatbots	1st Qtr 2019
Deep Sea Mining	3rd Qtr 2020
Facial Recognition	1st Qtr 2018
Labor Participation Rate	4th Qtr 2015
Libra, Calibra, Facebook	2nd Qtr 2019
Lumber Prices Soaring	4th Qtr 2021
Money Market Fund Reform – New Rules	3rd Qtr 2016
Natural Gas – U.S. 3rd Largest Exporter of LNG	4th Qtr 2019
Negative Interest Rate Policy (NIRP)	2nd Qtr 2016
New Silk Road	2nd Qtr 2017
Non-Fungible Tokens	1st Qtr 2021
Pandemic – Possible Impact	1st Qtr 2020
Quantitative Easing	1st Qtr 2016
Repurchase Agreements – Repo Market in Crisis	3rd Qtr 2019
Series I Bonds - High Yield, Low Risk	1st Qtr 2022
Small Business Reorganization Act	2nd Qtr 2020
Texas Imports and Exports	2nd Qtr 2018
Universal Postal Union	3rd Qtr 2018
Vehicle Shortage	2nd Qtr 2021

DISCLAIMER

THIS PUBLICATION WAS DEVELOPED FOR INTERNAL, GOVERNMENTAL PURPOSES ONLY. IT WAS PREPARED IN GOOD FAITH AND FOR GENERAL INFORMATIONAL PURPOSES ONLY. WE DO NOT MAKE ANY WARRANTIES ABOUT THE COMPLETENESS, RELIABILITY OR ACCURACY OF THE INFORMATION. YOU SHOULD NOT USE ANY OF THE INFORMATION CONTAINED IN THIS REPORT WITHOUT FIRST SEEKING LEGAL AND OTHER PROFESSIONAL ADVICE. USE AT YOUR OWN RISK.