

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

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September 1, 1970]

Treasury Announces  $\frac{1}{2}$  Percent Bonus on Savings Bonds  
Effective June 1, 1970

To Issuing and Paying Agents for United States Savings Bonds  
in the Second Federal Reserve District:

Following is the text of a statement issued August 25 by the Treasury Department:

Secretary of the Treasury David M. Kennedy, acting to implement a law signed last night by President Nixon, announced that a  $\frac{1}{2}$  percent bonus will be added to the interest rate paid to longer-term holders of United States Savings Bonds.

This bonus will raise the effective interest rate on new Bonds, when held to maturity, from 5 to  $5\frac{1}{2}$  percent.

The increase, which is retroactive to June 1, 1970, will also result in improved yields on outstanding Series E and Series H Bonds.

The millions of Americans who own Savings Bonds—including those 10 million persons who purchase them regularly through payroll savings plans—will now have an extra incentive to hold on to them. For those who have not yet purchased Savings Bonds, the increase provides the added attraction of a bonus on their savings, savings that make an important contribution to the sound financing of our nation's government, Secretary Kennedy said.

The Secretary noted that the bonus provides a means of increasing the return to longer-term savers at a time of generally high interest rates. While the Treasury will retain flexibility to modify the bonus on future sales and extensions, Secretary Kennedy emphasized that all Bonds now held or newly purchased are assured of receiving the full  $\frac{1}{2}$  percent bonus through their next maturity.

Printed below is an explanation by the Treasury Department of the application of the bonus to both new and outstanding issues of Series E and Series H Bonds. Additional copies of this circular will be furnished upon request.

ALFRED HAYES,  
President.

United States Savings Bonds  
Improvements in Yield Retroactive to June 1, 1970

*Series E*

1. Series E Bonds purchased on or after June 1, 1970 when held to maturity will receive an extra  $\frac{1}{2}$  percent, payable at maturity, raising the yield to  $5\frac{1}{2}$  percent from date of issue to date of maturity.

2. Outstanding E Bonds that have not reached their first maturity will receive a  $\frac{1}{2}$  percent increase in yield for semiannual interest periods beginning on or after June 1, 1970, payable as a bonus at maturity.

3. Outstanding E Bonds that have reached first maturity, or are extended beyond first maturity while the bonus is in effect, will have the  $\frac{1}{2}$  percent credited at the end of each semiannual interest period beginning on or after June 1, 1970, through their next maturity. The bonus is payable whenever the bonds are redeemed.

*Series H*

1. Series H Bonds purchased on or after June 1, 1970 will yield approximately 5.12 percent for the first 5 years and 6 percent for the remaining 5 years to maturity, providing an over-all yield of  $5\frac{1}{2}$  percent from date of issue to date of maturity.

2. Outstanding H Bonds that have been held for less than 5 years will receive a  $\frac{1}{2}$  percent increase in yield for semiannual interest periods beginning on or after June 1, 1970, payable as a bonus in the form of increased semiannual interest payments during the second 5 years to maturity.

3. H Bonds that have been held 5 years, or are extended while the bonus is in effect, will receive a  $\frac{1}{2}$  percent increase in yield for semiannual interest periods beginning on or after June 1, 1970. The bonus will be added to semiannual interest checks through next maturity.