TREASURY DEPARTMENT

Fiscal Assistant Secretary

1/16/51

TO:

THE SECRETARY

In compliance with your instructions I hand you herewith a proposed release regarding the handling of maturing Series E Savings Bonds.

When I left you this morning it occurred to me that it might be preferable to have a relatively short announcement, to which could be attached an outline of the various options which are to be made availabl to owners of the maturing Series E bonds.

After talking to Assistant Secretary Graham I have made copies of this memorandum and the attachment available to Mr. Tom Lynch, the General Counsel, to Mr. George Haas, Director of the Technical Staff, and I have also made arrangements for Mr. Fred Martin of the Bureau of Internal Revenue to come over to my office to read it.

E. F. B.

Attachment

Mr. Bartelt

RELEASE
Thursday, January 18, 1951 S-

Secretary Snyder, in response to numerous inquiries concerning Series "E" Savings Bonds, announced today the following information.

The popular Series "E" Savings Bonds, which were first issued on May 1, 1941, will continue to be offered for sale under the same terms and conditions. There is no need to alter or change this bond which continues in great demand by purchasers, particularly by those who enrolled in a payroll savings plan. The Secretary pointed out that purchasers have the option to report, for Federal income tax purposes, the annual interest which accrues on each bond or to defer the payment of tax on all interest accruals until the bond matures, or until cashed, if it is redeemed prior to maturity.

FIRST ISSUE OF SERIES "E" BONDS, MATURING MAY 1, 1951.

During the past several months various groups representing labor, agriculture, business, and banking, as well as numerous private individuals, have pointed out the desirability of permitting bondholders to continue their present investments in Series "E" Savings Bonds, which begin to mature on May 1, 1951, by retaining the bonds they now hold, without the necessity of presenting the bonds for payment and buying new ones. The holders prefer to retain the bonds and continue to draw interest, until they need the money, rather than being obliged to cash the bonds, which in many cases would be once a month.

Careful consideration has been given to the proposal. Legislation by the Congress would be required to authorize the Secretary to pay interest on Series "E" bonds beyond the maturity date. Such authority will be requested. But the Secretary emphasized that the rights of bondholders to cash the obligations in accordance with the terms of the contract are not affected by the proposed legislation. The Government of the United States will always meet its dollar commitments as it has in the past.

If legislative authority is granted, the holder of maturing Series "E" bonds will have the following options:

1. Secure cash upon maturity, as specified in the terms of the bond, or at any time thereafter.

2. Retain the maturing Series "E" bond for a period not to exceed 10 years. Interest to be accrued at the rate of 2-1/2% per annum for the first 7-1/2 years, and thereafter at the same rates carried by existing Series "E" bonds. The effect will be to return to the holder 2.9 per cent interest for the full 10-year period. Such rate of 2.9 per cent is the same as that on the original issue of a Series "E" bond, if held for 10 years.

For example: Assume that in May of 1941, $75.00 had been invested in a $100.00,par value, Series "E" bond. The bond matures in May of 1951. Under this continued investment plan the holder may retain his present bond until May 1, 1961. During the first 7-1/2 years the bond would increase in value 1-1/4 per cent at the end of every six months, and thereafter, as previously indicated, according to the rates carried in existing Series "E" bonds. The redemption values are stated in the following table:

Period	Redemption Value	Period	Redemption Value
First 1/2 year	$100.00	5 to 5-1/2 years	112.50
1/2 to 1 year	101.25	5-1/2 to 6 years	113.75
1 to 1-1/2 years	102.50	6 to 6-1/2 years	115.00
1-1/2 to 2 years	103.75	6-1/2 to 7 years	116.25
2 to 2-1/2 years	105.00	7 to 7-1/2 years	117.50
2-1/2 to 3 years	106.25	7-1/2 to 8 years	120.00
3 to 3-1/2 years	107.50	8 to 8-1/2 years	122.67
3-1/2 to 4 years	108.75	8-1/2 to 9 years	125.33
4 to 4-1/2 years	110.00	9 to 9-1/2 years	128.00
4-1/2 to 5 years	111.25	9-1/2 to 10 years	130.67
		Maturity value (10 years from issue date)	133.33

3. Holders of maturing Series "E" bonds would have the privilege of deferring the reporting of accrued interest, for Federal income tax purposes, until the year when the extended bond matures, or until it is cashed, if prior to maturity. The holder of the bond would also retain the present option of reporting, for Federal income tax purposes, the annual increment of interest on the bond.

The Secretary stated that no action would be required on the part of the bond owners to take advantage of this "Continued Investment Plan," as contemplated in the proposed legislation since the bonds are registered in their names in the Treasury Department.

4. The Secretary announced that a new denomination of Series "E" bond will be provided with a par value of $33.33. This is designed primarily to afford holders of maturing bonds of $25.00 par value, who may wish a new obligation, to exchange the $25 maturing bond for new bonds for $33.33, thus avoiding the necessity of a cash adjustment.

The following table contains the redemption values of the new $33.33 Series E Bond, if redeemed prior to maturity:

First 1/2 year	$25.00	5 to 5-1/2 years......	$27.33
1/2 to 1 year	25.00	5-1/2 to 6 years	27.67
1 to 1-1/2 years	25.16	6 to 6-1/2 years	28.00
1-1/2 to 2 years	25.33	6-1/2 to 7 years	28.67
2 to 2-1/2 years	25.49	7 to 7-1/2 years	29.33
2-1/2 to 3 years	25.67	7-1/2 to 8 years	30.00
3 to 3-1/2 years	26.00	8 to 8-1/2 years	30.67
3-1/2 to 4 years	26.33	8-1/2 to 9 years	31.33
4 to 4-1/2 years	26.67	9 to 9-1/2 years	32.00
4-1/2 to 5 years	27.00	9-1/2 to 10 years	32.67
		Maturity value .... (10 years from issue date)	33.33

Other options available to owners of maturing Series E savings bonds are (a) the privilege of consolidating a number of bonds into one or more Series E, F, or G bonds, and (b) the privilege of exchanging a maturing Series E bond for a Series G bond on which interest is paid currently.

The various options available to owners of maturing Series E bonds are set forth in more detail in the attached statement.

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Attachment

ATTACHMENT

OPTIONS WHICH MAY BE EXERCISED BY OWNERS OF
UNITED STATES SAVINGS BONDS, SERIES E,
WHICH WILL BEGIN TO MATURE MAY 1, 1951

On May 1, 1951, the popular "Series E" United States Savings Bonds, which the Government sold during the defense and war periods, will begin to mature.

Secretary of the Treasury Snyder has announced that the owners of such bonds may redeem them for cash at any one of the approximately 16,000 banks and other financial institutions throughout the country which have been designated as paying agents for United States Savings Bonds.

In response to numerous requests received by the Treasury and, after consultation with many individuals and various groups, representing labor, agriculture, business, and banking, the Treasury has devised a plan, whereby owners of maturing Series E Savings Bonds may exercise a number of options if they wish to keep their funds continuously invested.

OPTION NUMBER 1

On the basis of letters and oral suggestions received by the Treasury Department, the most popular of these options is to permit the present holders to retain in their possession the bonds which they now hold for an additional period of 10 years, with the privilege of cashing them at any time and at any one of the 16,000 banks and other financial institutions designated as paying agents.

If held for an additional 10 years, the value of the bonds will increase at the rate of 2.9% interest, which is a continuation of the same rate of interest payable on the original investment for the full 10 years; in other words, a return of $4.00 for every $3.00 of maturity value.

For example, a savings bond purchased for $75.00 in May of 1941, will be worth $100.00 on May 1, 1951. On May 1, 1961, this bond would be worth $133.33, which is $58.33 more than the original investment.

Secretary Snyder stressed the fact that the persons who exercise this option will not surrender any rights whatsoever with respect to cashing of the bonds at any time prior to the end of the 10-year period. The bonds will increase in value at the rate of 1-1/4% for every full six-months period, or 2-1/2% for every year for the first 7-1/2 years, and thereafter according to the rates provided in existing Series "E" bonds. Thus, a bond which was purchased in May of 1941 for $75.00 and which matures in May of 1951 for $100.00, will be worth $101.25 on November 1, 1951, and $102.50 on May 1, 1952; and so on, according to the following schedule:

Period	Redemption Value	Period	Redemption Value
First 1/2 year	$100.00	5 to 5-1/2 years	112.50
1/2 to 1 year	101.25	5-1/2 to 6 years	113.75
1 to 1-1/2 years	102.50	6 to 6-1/2 years	115.00
1-1/2 to 2 years	103.75	6-1/2 to 7 years	116.25
2 to 2-1/2 years	105.00	7 to 7-1/2 years	117.50
2-1/2 to 3 years	106.25	7-1/2 to 8 years	120.00
3 to 3-1/2 years	107.50	8 to 8-1/2 years	122.67
3-1/2 to 4 years	108.75	8-1/2 to 9 years	125.33
4 to 4-1/2 years	110.00	9 to 9-1/2 years	128.00
4-1/2 to 5 years	111.25	9-1/2 to 10 years	130.67
		Maturity value (10 years from issue date)	133.33

Persons who elect to take advantage of this option (i.e., holding their present Series E bonds) may defer the reporting of the interest for tax purposes until the year in which the bonds are redeemed in cash or, if they prefer, they may include the interest in their tax returns for the year in which the interest accrues on the bonds.

No stamping or marking on the bonds will be necessary in order to take advantage of this option because the bonds are already registered in the Treasury Department in the names of the owners. Although the stamping of the bonds will not be necessary for security purposes or for the protection of the rights of the owners, banks and other financial institutions acting as paying agents will be authorized to make an appropriate imprinting on the bonds in individual cases if owners should so request.

OPTION NUMBER 2

In order to accommodate persons who prefer to exchange a maturing Series E bond which they now hold for a new Series E bond with the same terms and conditions of the maturing bond, except as to redemption and maturity values, the Secretary has announced the availability of a new denomination in the face amount of $33.33. Thus, a person who purchased a Series E savings bond in 1941 for $18.75, which matures in 1951 for $25.00, may exchange the bond for a new Series E bond for $33.33, maturing in 10 years, with the following redemption values if redeemed prior to maturity:

SCHEDULE SHOWING REDEMPTION VALUES OF $33.33 SERIES
E BOND ISSUED IN EXCHANGE FOR A MATURING $25 SERIES E BOND

First 1/2 year	$25.00	5 to 5-1/2 years	$27.33
1/2 to 1 year	25.00	5-1/2 to 6 years	27.67
1 to 1-1/2 years	25.16	6 to 6-1/2 years	28.00
1-1/2 to 2 years	25.33	6-1/2 to 7 years	28.67
2 to 2-1/2 years	25.49	7 to 7-1/2 years	29.33
2-1/2 to 3 years	25.67	7-1/2 to 8 years	30.00
3 to 3-1/2 years	26.00	8 to 8-1/2 years	30.67
3-1/2 to 4 years	26.33	8-1/2 to 9 years	31.33
4 to 4-1/2 years	26.67	9 to 9-1/2 years	32.00
4-1/2 to 5 years	27.00	9-1/2 to 10 years	32.67
		Maturity value (10 years from issue date)	33.33

As in the cases of all other Series E bonds, these bonds will be redeemable for cash at any time prior to maturity at any one of the 16,000 banks and other financial institutions which have been designated by the Treasury as paying agents for savings bonds.

A Series E bond with a maturity value of $50.00 may be exchanged for two bonds of $33.33 each, having a total maturity value of $66.66. A person who owns a maturing $100 Series E bond could procure in exchange therefor a new $100 Series E bond and a new $33.33 Series E bond, for a total of $133.33; and so on.

As in the case of Option No. 1, above, persons exercising Option Number 2 may either defer the payment of income tax until they redeem their bonds for cash or they may report the increased value currently as the interest accrues on the bond.

COMPARISON OF OPTIONS 1 AND 2, ABOVE

For the convenience of owners of Series E savings bonds which will mature in 1951 the Secretary of the Treasury has furnished the following comparisons of redemption values under the two options mentioned above, i.e., (1) where owners prefer to retain their present bonds, and (2) where owners prefer to exchange their maturing bonds for new Series E bonds.

(see table on the following page)

COMPARISON OF REDEMPTION VALUES

Option No. 1, where owners retain present bonds, and
Option No. 2, where owner exchanges maturing bonds for
new bonds of Series E

Period	Option No. 1	Option No. 2	Period	Option No. 1	Option No. 2
First 1/2 year ...	$100.00	$100.00	5 to 5-1.2 years......	$112.50	$109.33
1/2 to 1 year	101.25	100.00	5-1/2 to 6 years......	113.75	110.67
1 to 1-1/2 years..	102.50	100.67	6 to 6-1/2 years......	115.00	112.00
1-1/2 to 2 years..	103.75	101.33	6-1/2 to 7 years......	116.25	114.67
2 to 2-1/2 years..	105.00	102.00	7 to 7-1/2 years......	117.50	117.33
2-1/2 to 3 years..	106.25	102.67	7-1/2 to 8 years......	120.00	120.00
3 to 3-1/2 years..	107.50	104.00	8 to 8-1/2 years......	122.67	122.67
3-1/2 to 4 years..	108.75	105.33	8-1/2 to 9 years......	125.33	125.33
4 to 4-1/2 years..	110.00	106.67	9 to 9-1/2 years......	128.00	128.00
4-1/2 to 5 years..	111.25	108.00	9-1/2 to 10 years.....	130.67	130.67
			Maturity value........ (10 years from issue date)	133.33	133.33

OPTION NUMBER 3

The third option approved by the Secretary of the Treasury would make it possible for owners of Series E bonds maturing in the calendar year 1951 to have their holdings combined into one or more larger bonds of Series E, F, or G. In such cases, the Treasury would "average date" the bonds; that is, give the new bonds a dating which would provide an interest return to the owner equivalent to the amount which would be received if he continued to hold the individual bonds. For example, if a person holds several bonds of the same maturity value falling due in May of 1951 and every month thereafter through December, such bonds could be exchanged for a single bond for the combined total with an "average dating" of August 1, 1951.

However, after bonds have once been consolidated under this option, the owner would not be permitted later to have the larger bond broken down into smaller denominations. As in the case of other savings bonds, owners of the bonds issued under this option would have the privilege of cashing them prior to maturity according to the redemption values stated in the bonds, which would be the same as the redemption values of existing Series E, F, and G.

OPTION NUMBER 4

There will be cases where present holders of maturing Series E bonds desire to exchange them for a current income savings bond; that is, a savings bond on which interest would be paid by the Treasury regularly every six months, as it is earned. A person who wishes to exercise this option may send his maturing Series E bonds to the Federal Reserve Bank in his district or to the Treasurer of the United States in Washington and receive in exchange therefor a Series G savings bond carrying interest at the rate of 2-1/2% per annum. A check for the payment of the interest on these bonds would be mailed to the registered owner of the bond every six months by the Treasury's Public Debt Office, located in Chicago, Illinois.

Series G bonds mature 12 years from date of issue and the smallest denomination issued is for $100.00. Because of the necessity of maintaining interest accounts, Series G bonds are payable only on the first day of any calendar month, after 6 months from issue date, and upon 1 month's written notice.

They are redeemable at par if held until maturity, or, in case of death of the registered owner if notice of redemption is given to the

Treasury within 6 months from date of death. If redeemed prior to maturity they are redeemable at the following redemption values (based upon $100):

First 1/2 year	- - -	6 to 6-1/2 years	95.50
1/2 to 1 year	$98.80	6-1/2 to 7 years	95.80
1 to 1-1/2 years	97.80	7 to 7-1/2 years	96.10
1-1/2 to 2 years	96.90	7-1/2 to 8 years	96.40
2 to 2-1/2 years	96.20	8 to 8-1/2 years	96.70
2-1/2 to 3 years	95.60	8-1/2 to 9 years	97.00
3 to 3-1/2 years	95.10	9 to 9-1/2 years	97.30
3-1/2 to 4 years	94.80	9-1/2 to 10 years	97.60
4 to 4-1/2 years	94.70	10 to 10-1/2 years	97.90
4-1/2 to 5 years	94.70	10-1/2 to 11 years	98.20
5 to 5-1/2 years	94.90	11 to 11-1/2 years	98.60
5-1/2 to 6 years	95.20	11-1/2 to 12 years	99.20
		12 years	100.00

It is probable that owners of maturing Series E savings bonds who wish to take advantage of this option could make arrangements with their local banks to send the bonds to the Federal Reserve Bank.

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U. S. Treasury Department
Fiscal Service
Bureau of the Public Debt
Washington, D. C.
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