



Agronomy Notes

Capital Region

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Capital Region Extension Agronomy Team

EXTRA EDITION

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Financial Farming

U.S. Savings Bonds: A Ticking Tax Bomb?

Consider the following investment proposition: You place your hard-earned savings in an instrument with a long final maturity (thirty years), one that cannot be sold in the first year, would suffer a stiff penalty if sold during the next four years, produces a relatively low-rate of interest (even determining that rate of interest is difficult) and would never produce a statement showing its investment value.

Interested? Well, fifty-five million investors have purchased this peculiar investment, better known as the U.S. Saving Bond, and many folks are looking for guidance on how to effectively manage their savings bond portfolio.

The U.S. Treasury has always made the purchase of savings bonds easy; their track record helping owners manage their bonds is a different story. In 2003, the federal government marketing offices that furnished savings bond information to bond owners were all closed. Furthermore, many banks that used to assist bond owners purchase, redeem and determine bond values are now less inclined to provide these free services. While it is true you can easily determine individual bond values on-line, these tools are very simplistic and the fact remains there is not a complete source of public information about savings bonds available to the public.

Savings bonds are purchased mainly for safety, not investment return, but their interest rate and redemption rules are quite complicated. While they can be a tax-efficient, rainy-day investment, saving bonds also present a number of financial planning challenges as well.

A more serious development was the Treasury's decision to stop issuing new Series HH bonds, effective September 1, 2004. The result is that Series E and EE savings bonds can no longer be converted to HH bonds at their final maturity. This decision will create real tax consequences for E/EE bond owners, since income tax on their accumulated bond interest can no longer be deferred by way of conversion to HH bonds – the tax is now due in full at final maturity. The

financial impact could be severe, especially if the lump-sum recognition of bond interest income pushes the bond owner into a higher tax bracket or results in the taxation of their Social Security retirement benefits.

Although not widely publicized, the elimination of new HH bonds last year is not a trivial matter for owners of seasoned E/EE bonds approaching final maturity. Over \$9 billion in E/EE bonds have passed their final maturity date but have not been redeemed and, technically, income tax is now due on all this accumulated bond interest. In the past, the IRS has taken a cavalier approach to collecting this tax, but the elimination of the HH bond is a telling sign the federal government senses a real revenue opportunity in this area.

There are other pitfalls to consider. Selecting which bond to redeem before final maturity requires careful analysis, especially regarding EE bonds because their interest rate rules have changed a number of times since their introduction in 1980.

Each bond follows the interest rules in effect when issued. For EE bonds purchased before May 1997, interest accrues every six months, so avoid redeeming these bonds close to their semi-annual interest posting date or you might forfeit a significant amount of interest. Starting in May 2005, new EE bonds pay a fixed rate of interest for twenty years (the May 2005 savings bond pays a paltry fixed yield of 3.5% for twenty years).

Finally, be careful about changing the title on the bond to add a new owner/co-owner – this may create a taxable event if done handled carefully.

Your best defense against an irreversible financial mistake with your savings bonds is to seek the advice of a qualified financial professional who is expert in these investments to make educated decisions about your bond portfolio.

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Heat Exhaustion

The skin of someone who may be suffering from heat exhaustion might appear gray and will be cold and clammy. The victim will feel weak, dizzy and nauseated and might pass out. Get her out of the heat. The victim will be in shock so place them flat on their back and elevate their feet slightly. If the patient is conscious, give them water to drink in small, steady amounts.

In mild cases, victims will recover fairly quickly, skin color returns to normal and the victim begins to feel better. Even so, don't let them resume physical activity for the rest of the day. In severe cases, in which the victim fails to recover, transport them to the nearest emergency medical facility immediately.

Heat Stroke

Heat stroke is characterized by dry, hot to the touch, red or flushed skin. Death can result quickly and is always fatal unless treated properly. Heat stroke is caused when body

temperatures rise rapidly and dangerously. The key to treatment is to get the body temperature decreased as rapidly as possible. Get the victim out of heat and immerse them in cool water or cover them with a wet cloth and fan the body to increase evaporation. Get the victim to emergency treatment as soon as possible.

Signs of a heart attack

A heart attack might feel like pressure or squeezing or a fullness or sharp pain in the chest. A heart attack can last for several minutes or it might subside and then return. There might be discomfort or pain in one or both arms or in the back, neck, jaw or stomach. Shortness of breath can occur at the same time as chest discomfort or before its onset. Other symptoms include nausea, lightheadedness and a cold sweat. Don't try to fool yourself that this pain is insignificant or will go away or that you can "work it off." Get professional diagnosis before it is too late. Your body is signaling you that something is wrong. You need to listen to your body and get medical assistance before it is too late.

Penn State No-Till Field Day Peach Bottom & Gap, Lancaster County 3-Row to 6-Row No-Till Corn And Crop Field Day

Planting, weed control, soil fertility, and crop rotation will be discussed and demonstrated in the field during the fifth annual no-till field days. Farmers, industry and Penn State Cooperative Extension team up to provide an in-field program where you can ask questions and learn from one another.

9:00 AM to 2:00 PM (light lunch provided – please register)

Tuesday, June 28, 2005
John B and A. K. Stoltzfus Farm
216 Peach Bottom Road
Peach Bottom, PA

Thursday, June 30, 2005
Pequea Planter, Gideon Stoltzfus
561 White Horse Road
Gap, PA

A program of the Penn State Cooperative Extension Capital Region Agronomy Team,
In association with The Pennsylvania No-Till Alliance.

Sponsored by:

- Little Britain Agri-Supply, Quarryville
- Triple H Equipment, Peach Bottom
- Pequea Planter, Gap

One core pesticide credit and one category pesticide credit will be available.

To register and for more information: call Mark Goodson, York County (717) 840-7408

Penn State encourages persons with disabilities to participate in its programs and activities. If you anticipate needing any type of accommodation or have questions about the physical access provided, please contact Mark Goodson (717) 840-7408 in advance of your participation or visit.