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Ask an Expert: Patriot Bonds designed to mature at 20 years

Ask an Expert

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Q: A friend of mine has purchased Patriot Bonds. What are they?

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M.W., Orlando

A: Patriot Bonds were originally issued by the government shortly after the Sept. 11, 2001, terrorist attacks. You purchase them for half their face value. Bonds increase in value every month and interest is compounded semi-annually. The U.S. Treasury guarantees that Patriot Bonds will reach face value or more 20 years after issue. You'll earn at least 3.6 percent interest annually.

You don't need to wait 20 years to redeem them, but redeeming them before five years will result in a 3-month interest penalty. They do not earn interest after 30 years. The interest is subject to federal tax but it can be deferred until you cash the bond or it reaches maturity.

Fred Bremer

Q: I'm under age 59½ and a first time homebuyer who would like to borrow \$25,000 from my 401(k). My employer has advised me that my options are the hardship withdrawal or a plan loan. Which do you recommend?

C.J., Orlando

A: The 401(k) plan loan would allow you to borrow 50 percent of your vested account balance without incurring a taxable event or any early withdraw penalty and allow you to pay it back over 60 months. Since you are contributing significantly to your 401(k) and your balance is in excess of \$100,000, this is your best option.

Larry Breen

Q: My husband died and I never rolled the IRA into my name. He was taking his required minimum distribution from this account. I don't think I took it out correctly. What should I do?

N.M., 57, Winter Haven

A: I would go to irahelp.com and find an adviser trained by Ed Slott, an IRA expert. I would speak to someone who has specialized training to answer your question and review your situation.

Cary Carbonaro

Have a question? E-mail us at askanexpert@orlandosentinel.com. Include your name (only your initials will be printed), hometown and phone. Questions are answered by Certified Financial Planners from the Central Florida Chapter of the Financial Planning Association. Answers are for educational purposes only. Please consult your financial professional. Questions and answers may be edited for space considerations.

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