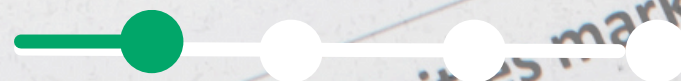


# Inflation-Protected Bonds (TIPS)

**A SAFE HEDGE  
AGAINST INFLATION**





# What are TIPS?

*Treasury Inflation-Protected Securities (TIPS) are U.S. government bonds designed to protect investors from inflation. Their principal value adjusts with inflation, ensuring purchasing power is preserved.*

## How TIPS Work

- 1 Inflation Adjustment** – The bond's principal increases with the Consumer Price Index (CPI). If inflation rises, so does your investment value.
- 2 Interest Payments** – TIPS pay fixed interest (coupon) on the adjusted principal. Higher inflation = higher interest payments.
- 3 Deflation Protection** – If inflation falls, the principal decreases, but at maturity, investors get at least the original principal back.





# Why Invest in TIPS?

- ✓ *Inflation Protection* – Preserves real purchasing power.
- ✓ *Low Risk* – Backed by the U.S. government.
- ✓ *Diversification* – Reduces portfolio risk during inflationary periods.

## ⚠ Risks to Consider:

- ✗ *Lower Yields* – TIPS yields are often lower than regular bonds.
- ✗ *Deflation Risk* – If prices fall, the principal adjusts downward.
- ✗ *Tax Impact* – Inflation adjustments are taxable, even if not received until maturity.







# How to Invest in TIPS?

- ✓ **Direct Purchase:** Buy from the U.S. Treasury via TreasuryDirect.gov.
- ✓ **TIPS ETFs & Mutual Funds:** Invest in funds like:
  - iShares TIPS Bond ETF (TIP)
  - Vanguard Inflation-Protected Securities Fund (VIPSX)
- ✓ **Brokerage Accounts:** Available through most banks & brokers.

## Who Should Invest in TIPS?

- Investors worried about rising inflation 
- Retirees needing stable, inflation-adjusted income 
- Long-term investors looking for low-risk diversification 

