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

1️⃣ *Inflation Adjustment – The bond's principal increases with the Consumer Price Index (CPI). If inflation rises, so does your investment value.*

2️⃣ *Interest Payments – TIPS pay fixed interest (coupon) on the adjusted principal. Higher inflation = higher interest payments.*

3️⃣ *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* 🏛️