

# U.S. Treasury securities



Wealth  
Management

Our United States government runs by issuing U.S. Treasury securities. Investors who purchase these securities are, in essence, loaning the U.S. government money to fund general operations and public projects. U.S. Treasury securities are considered to be the safest securities available to the investor today.

## Benefits

U.S. Treasury securities offer investors investment vehicles with:

- **Safety** — U.S. Treasury securities are considered to be the safest of all securities because they are backed by the full faith and credit of the U.S. government. The federal government's authority to tax, along with the fact that it can always issue new securities, guarantees both the timely payment of interest and the repayment of principal at maturity.
- **Liquidity** — There is a vast number of U.S. Treasury securities available today. Because there is such a large and active secondary market, these securities can be bought and sold easily.
- **Return** — U.S. Treasury securities offer investors attractive returns relative to their risk. These securities offer higher yields than traditional savings accounts.
- **State income tax exemption** — Interest payments from U.S. Treasury securities are exempt from state income taxes. For investors living in states with high income taxes, this increases their attractiveness on an after-tax basis when compared to other taxable bonds.

## Types

- U.S. Treasury bills, notes and bonds are the most common types of U.S. Treasury securities. See the table on the following page for specific information about varying denominations, maturities and auction schedules.
- U.S. Treasury Separate Trading of Registered Interest and Principal Securities (STRIPS) are also popular investment vehicles. STRIPS are zero-coupon bonds— instead of being disbursed in regular payments, interest accrues over the life of the bond and is paid at maturity. One key feature of STRIPS is that investors may be subject to taxation on the annual price appreciation annually even though no income was received.
- Treasury Inflation Protected Securities (TIPS) are the newest types of U.S. Treasury securities available to investors. With these securities, the principal and interest payments are protected against inflation, as the principal is indexed to changes in the Consumer Price Index (CPI).

Currently they are issued in five-, 10-, and 30-year maturities.

## Trading

Treasury securities can be purchased on the primary market as new issues at the Treasury auction. Treasuries can also be purchased on the secondary market. The secondary market for Treasuries is the most liquid financial market in the world.

The most recently auctioned Treasury issues for each maturity are referred to as on-the-run or current issues. Issues auctioned prior to the current issues are referred to as off-the-run, which become less liquid as new issues come to the market.

A comparison of U.S. Treasury securities is illustrated on the following page.

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## Comparison of U.S. Treasury securities

Security	Minimum purchase/increments**	Maturity range	Interest payment schedule	How they are traded?	Auction schedule*
U.S. Treasury bills	\$100/\$100	Four weeks to one year	Face value at maturity	At a discount	Weekly, except 52-week bills which are auctioned every four weeks.
U.S. Treasury notes	\$100/\$100	Two to 10 years	Semi-annual	Market sets price at par, discount, or premium based on current interest rates.	2, 3, 5 and 7 year notes are auctioned monthly on either the 15th or the last day of the month; 10 year notes are auctioned quarterly on the 15th of the month.
U.S. Treasury bonds	\$100/\$100	20 and 30 years	Semi-annual	Market sets price at par, discount, or premium based on current interest rates.	Quarterly in February, May, August and November on either the 15th or last day of the month.
U.S. Treasury STRIPS	\$100/\$100	In order to be stripped, a security must have a maturity of at least one year	Face value at maturity	At a discount from the maturity value	None. STRIPS are only available through financial institutions
TIPS	\$100/\$100	5, 10 and 30 years	Semi-annual	Market sets price at par, discount, or premium based on current interest rates.	Semi-annually on the last day of the month; month of auction varies by maturity

\* Auction schedule is changed if there is a holiday. From time to time, the U.S. Treasury makes changes to the frequency of the auctions and the types of securities issued.

\*\* Values listed are for new issue securities purchased directly from the U.S. Treasury. If purchased in the secondary market (such as in an RBC brokerage account), the minimum purchase for all types of Treasury securities is \$1,000 in increments of \$1,000.