



How a Long-Term TIPS Bond May Behave

Real yields, market-price changes, inflation protection, and holding to maturity

A long-term TIPS bond can fluctuate significantly in price before maturity, while its inflation-linked cash flows remain tied to the U.S. Treasury.

Understanding a TIPS Bond Quote

Key information and what it means

Example: U.S. Treasury TIPS maturing 02/15/2046 (1.00% coupon)

CUSIP

Unique identifier for this bond.

Coupon Rate

The stated annual coupon rate. TIPS coupons are typically very low because principal adjusts with inflation.

US Treasury TIP 1% 02/15/2046

Page last updated: 08:28 AM ET 09/10/2026

View Disclosure

Buy

Security Details	
CUSIP	912810RR1
Security Type	U.S. Treasuries
Maturity Date	02/15/2046
Coupon Rate	1.000%
Coupon Type	Fixed
Coupon Frequency	Semi-annually
Accrual Day Count	ACT/ACT
Dated Date	02/15/2016
First Settlement Date	02/29/2016
First Coupon Date	08/15/2016
Next Coupon Date	02/15/2027
DTC Eligible	Yes
Evaluated Price	70.918

Quote Details	Bid	Ask
Price	70.476	70.637
Current Yield	1.419%	1.416%
Yield To Maturity	3.020%	3.007%
Yield To Call	--	--
Yield To Worst	--	--
Available Quantity	3000	11000
Trade Min/Increment	100/1	50/1
Security Min/Increment	1/1	1/1
Inflation Factor	1.40936	1.40936
Inflation-Adjusted Price	99.326055	99.552566
Price Details	Price based on 50 bonds and a settlement date of 09/11/2026	

Yield to maturity values displayed include the inflation index factor and assume a zero future rate of inflation.

Price

The quoted price is a percentage of \$100 par (before the inflation adjustment).

Current Yield

Annual coupon income based on the current price.

Real Yield (YTM)

For TIPS, this is the real yield (annual return above inflation) if held to maturity. The calculation uses today's inflation-adjusted principal and assumes zero future inflation.

Inflation Factor

Adjusts the principal for inflation (CPI). This factor increases over time.

Inflation-Adjusted Price

The price after applying the current inflation factor. Accrued interest is additional and not included in this amount.

Key Takeaways

1

TIPS coupons are usually low because the principal adjusts with inflation.

2

The key return metric is the **real yield** (Yield to Maturity).

3

Your principal increases with inflation based on the CPI (seen in the inflation factor).

4

If you hold the bond to maturity, you receive the inflation-adjusted principal and earn the real yield.



What You Are Buying With TIPS

TIPS = Treasury Inflation-Protected Securities

1 Real yield

The quoted yield is a REAL yield — the return measured before future inflation.

2 Inflation adjustment

Principal adjusts with CPI-U. Coupon payments are calculated on the adjusted principal.

3 Maturity value

At maturity, Treasury pays inflation-adjusted principal or original par, whichever is greater.

If you buy a TIPS at a 3.0% real yield:

The bond is priced to provide approximately a 3% return above inflation if held to maturity. A low coupon does not mean a low real yield — a discounted purchase price can provide much of the return.



Before Maturity: Price Moves Opposite Real Yields

For TIPS, focus on changes in REAL yields, not simply nominal interest rates.

REAL YIELDS FALL ↓

Your existing bond becomes more valuable because its locked-in real yield is higher than new market yields.

MARKET PRICE RISES ↑

LONG-TERM TIPS

High duration = bigger price moves

REAL YIELDS RISE ↑

Your existing bond becomes less valuable because newly priced bonds offer higher real yields.

MARKET PRICE FALLS ↓

Long maturities create more upside if real yields fall — and more temporary downside if real yields rise.



Actual 2046 TIPS Example

CUSIP 912810RR1: 1.00% coupon, matures 02/15/2046, ask real yield about 3.007%. Yield-change illustration is approximate.

Real yield falls to 2.0%

**Approx. quoted price
\$83.9 per \$100**

**Approx. gain
+19%**

Current real yield ~3.007%

**Current quoted price
\$70.637**

**Current market
starting point**

Real yield rises to 4.0%

**Approx. quoted price
\$59.6 per \$100**

**Approx. decline
-15%**

For this actual 2046 bond, the 1.00% coupon stays fixed. Changes in the market's required REAL yield drive the quoted price up or down. The current inflation factor is applied separately to determine the inflation-adjusted price.



Holding to Maturity Changes the Conversation

The ladder is designed so you do not have to sell a long bond simply because its market price is temporarily down.

2046 example: \$1,000 original par × 1.40936 current inflation factor =
\$1,409.36 adjusted principal

TODAY
Buy at ~3% real yield

MATURITY
Inflation-adjusted principal

DURING THE TERM
Price can rise or fall

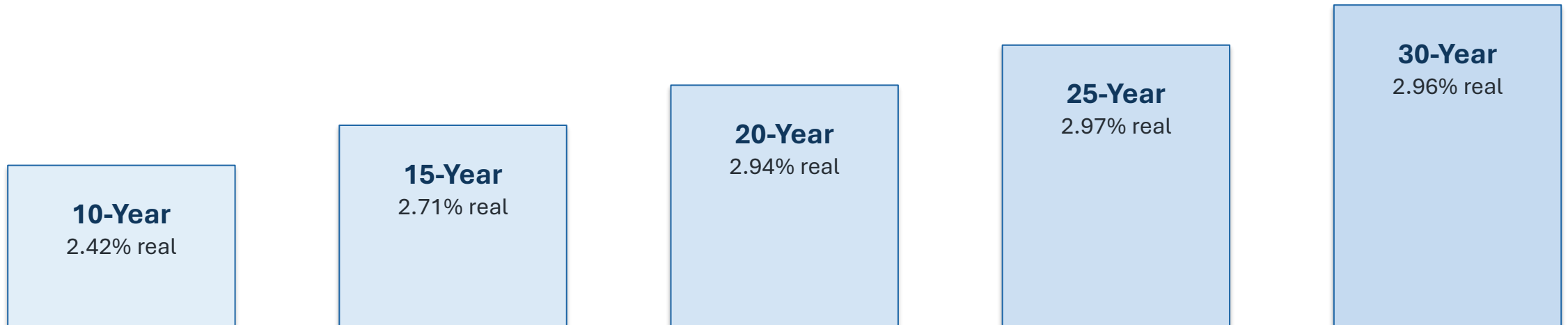
If held to maturity, interim market-price swings do not change the scheduled inflation-linked cash flows. The purchased real yield is embedded in those cash flows; realized compound return can vary modestly with coupon reinvestment.



Why a Long-Term Ladder Can Make Sense

Illustrative five-year spacing; actual maturities and allocations should match the client's liquidity needs.

Each rung locks in a real yield for a different period. As bonds mature, the inflation-adjusted principal can be spent, reinvested, or used to refill shorter-term reserves.





The Client-Friendly Bottom Line

If real yields FALL

- Market value can rise significantly
- Long TIPS get the largest price boost
- Selling may create a capital gain opportunity
- Inflation adjustment continues

If real yields RISE

- Market value can fall significantly
- The decline matters mainly if you sell early
- Holding avoids crystallizing a temporary market loss
- Contractual cash flows remain

If held to MATURITY

- Interim price becomes secondary
- Principal keeps adjusting with inflation
- Treasury pays inflation-adjusted principal at maturity
- The locked-in real yield is the core return

Use long-term TIPS for money that can truly remain invested long term — and use the ladder to create planned liquidity over time.



Nominal Rates Can Rise Without Hurting TIPS

The key question is WHY nominal Treasury yields moved.

$$\text{Nominal Treasury Yield} \approx \text{Real Yield} + \text{Expected Inflation}$$

Example — Before

Nominal Treasury yield: 5.0%
TIPS real yield: 3.0%
Expected inflation: ~2.0%

Example — Nominal Yield Rises

Nominal Treasury yield: 6.0%
TIPS real yield: still 3.0%
Expected inflation: ~3.0%

If the real yield is unchanged, the TIPS' real price should be roughly unchanged — even though the nominal Treasury yield rose.



What Actually Drives a Long-Term TIPS Price?

Separate changes in real yields from changes in inflation expectations.

Nominal yields ↑ Real yields unchanged

Likely cause: inflation expectations increased.

TIPS REAL PRICE:
Approximately unchanged

If higher inflation actually occurs, the inflation index will increase the bond's adjusted principal.

Real yields ↑

The discount rate on the TIPS' real cash flows increases.

TIPS REAL PRICE:
Falls

The effect can be significant for a 20–30 year, low-coupon TIPS because duration is high.

Real yields ↓

The locked-in real cash flows become more valuable.

TIPS REAL PRICE:
Rises

Long-term TIPS can receive a substantial capital appreciation boost when real yields decline.

Client takeaway: A TIPS ladder is not simply a bet that 'interest rates will fall.' The primary objective is to lock in an attractive real yield; changes in real yields determine the interim market-price opportunity or risk.



What Causes Real Yields to Move?

Real yields reflect the return above inflation that investors require from U.S. Treasury securities.

Economic Growth

Stronger growth can push real yields UP as investors demand higher returns. Weaker growth can pull real yields DOWN.

Federal Reserve Policy

Tighter monetary policy and higher expected real short-term rates can push real yields UP. Easier policy can push them DOWN.

Treasury Supply

More Treasury issuance can require higher real yields to attract buyers. Strong demand for bonds can have the opposite effect.

Investor Demand

A flight to safety or strong demand from pensions and long-term investors can push real yields DOWN.

For a long-term TIPS holder:

Real yields ↓ → TIPS market price ↑ | Real yields ↑ → TIPS market price ↓

The reason to buy the bond is not to predict the next move in real yields. It is to lock in an attractive real return; any price appreciation from falling real yields is a potential additional benefit if the bond is sold before maturity.