

CD's VS Annuity?

Why choose an annuity over a CD?

Why would a person choose a fixed annuity over a CD?

Consider some of the **basic features**

Why choose an annuity over a CD?

Features	Tax Deferred Annuity	Taxable CD
Penalty-free access annually	✓	No
Protection from probate.	✓	No
IRA-distribution compatibility	✓	No
Guaranteed minimum lifetime earnings	✓	No
Social Security tax advantages	✓	No
Extra first-year interest	✓	No
Guaranteed income option	✓	No

Why choose an annuity over a CD?

Consider the power
of **Tax deferred growth.**

Lets look at the numbers!

Client wants to invest and hold \$100,000 for 20 years.

Assumptions

5% annual growth on both the annuity and CD.

28% tax rate for the full term of 20 years on both the annuity and CD.

No withdrawals

Which one make sense?

Assuming **relative interest rates** and tax rates, the annuity resulted in **\$16,178** more dollars of after tax value.

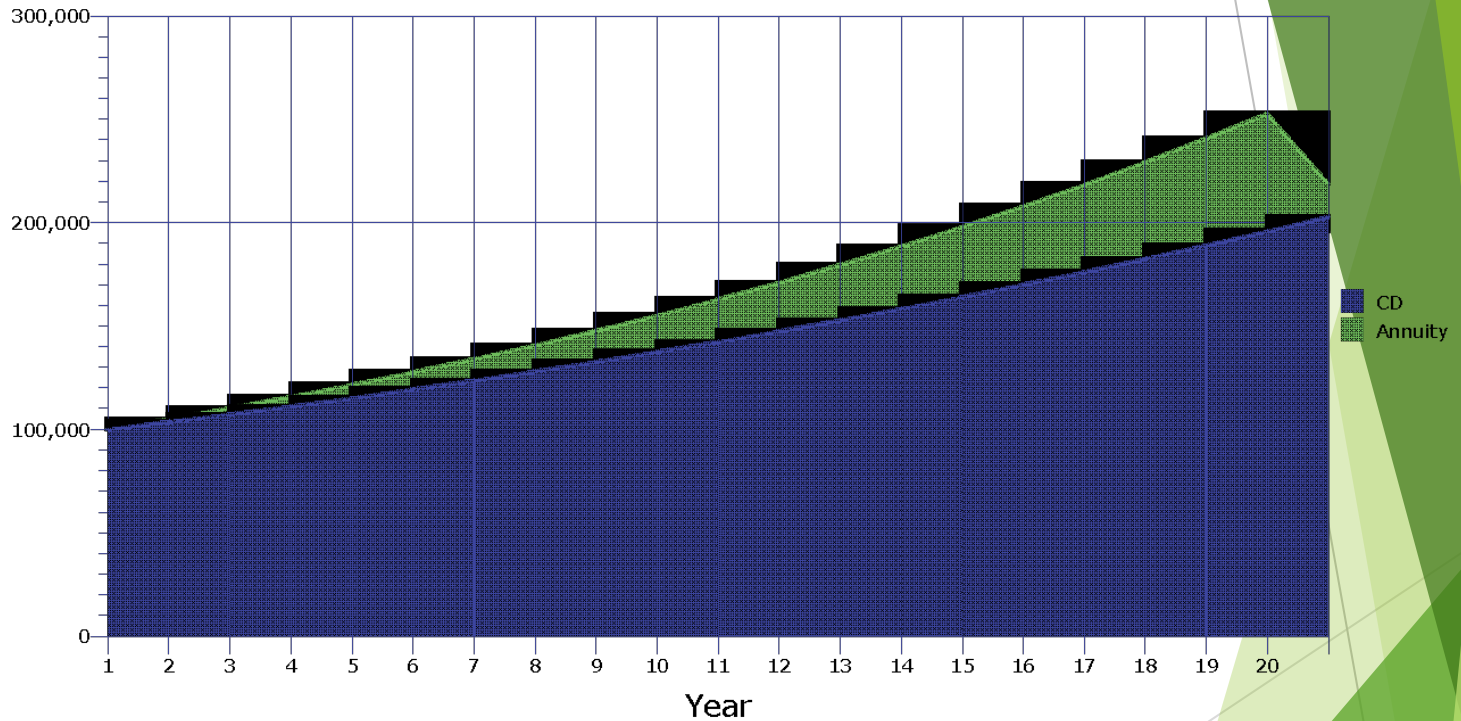
The annualized return of the CD is **3.6%**

The annualized return of the Annuity is **4%**

Annuity vs CD

Can the tax deferral of an annuity increase the **after tax** benefit?

CD versus Annuity



Annuity vs CD

What if an FIA averaged 6%, and a CD was paying 3.5%?

What would the impact be?

28% tax rate for the full term of 20 years on both the annuity and CD

No withdrawals

Annuity vs CD

With the given rates of return and relative tax rates, the annuity resulted in **\$94,411** more dollars of after tax value.

The annualized return of the CD is **2.52%**

The annualized return of the Annuity is **4.87%**

Annuity vs CD

Can the tax deferral of an annuity increase the **after tax** benefit?

CD versus Annuity

