CD's vs Fixed Deferred Annuities

For those individuals who are concerned that their CD's do not pay sufficient income and who are concerned that what income they make is taxed away by the U.S. Government in their increasing need to create revenue, a deferred annuity is a vehicle that can improve returns without risking principal. Listed below are several differences between CD's and tax deferred annuities:

	CD	Annuity
• Will this investment provide safety of principal?	YES	YES
• Is this a liquid investment?	YES	YES
• Does the entire investment get invested unreduced by commissions?	YES	YES
• Is interest earned each year taxable?	YES	NO
• Will the investment provide tax deferred growth?	NO	YES
• Does the investment provide for flexible contributions?	NO	YES
• Will this investment avoid the costs and delays associated with probate?	NO	YES
• Can earnings on the investment be automatically reinvested without being currently taxed?	NO	YES
• Can the investment provide guaranteed lifetime income without the principal first being taxed?	NO	YES
• Can the investment provide social security advantages by reducing taxable income that would make social security taxable?	NO	YES
• Can the investment provide potentially higher yields?	NO	YES
• Does the investment provide for loans from the investment?	NO	YES

If your client needs access to their money in a year or two, a tax deferred annuity is not the investment for them. If they have a five year time horizon for investment, a tax deferred annuity is an investment that can provide superior returns to a CD. However, clients must be aware of surrender charges and taking money out prior to age 59 ½ may result in penalty taxes.

Everyone's situation is different. Neither American National nor its representatives provide legal or tax advice. Individuals should speak with their attorney or tax advisor for their specific circumstances before entering into such a transaction.

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