



Yantis & Associates Insurance Agency

Annuities vs. CD's

Many people are familiar with traditional certificates of deposit and may invest in them because CDs are what they've always used. But tax-deferred fixed annuities can be an alternate to CDs for the right person. As with many investment, issues such as age, income and suitability should be considered when making financial decisions.

Words to Live By:

**An empty belly
hears nobody**

**An illiterate king is
a crowned ass**

**A man is as old as
he feels himself to
be**

**Danger and delight
grow on one stalk**

**Give neither advice
nor salt, until you
are asked for it**

**One father is more
than a hundred
schoolmasters**

**A bad penny always
turns up**

	Tax-Deferred Annuities	Certificates of Deposit
Reporting and Taxing of Interest Income	The interest income from a tax deferred annuity is neither reportable nor taxable until it is withdrawn, when clients are no longer in their peak of earning years and most likely are in a lower tax bracket.	The interest income from a traditional certificate of deposit is both reportable and taxable as it is earned, regardless of whether it is received or left to accumulate.
Effect on Social Security Benefits	Interest income from a tax-deferred annuity is not reportable until withdrawn; it is not included in the calculations for Social Security crossover taxation, preserving the value of Social Security benefits.	The interest income from a traditional certificate of deposit is included in the calculations used to determine taxation on Social Security benefits. Both taxable and tax-free earnings are reportable and must be included in this calculation.
Withdrawal Charge Schedule	Generally, tax-deferred annuities are long-term instruments and have no maturity date. Instead, the insurer imposes a schedule of declining early withdrawal charges, which are generally entirely eliminated after a designated period of time.	Traditional certificates of deposit are generally intended for short term investment and have preset early withdrawal penalties that vary according to the term. These penalties are renewed every time the certificate is renewed.
Emergency Access	Depending on the type of annuity selected and its provisions, penalty-free withdrawal options may be available to clients so they can access a portion of their funds.	Funds in a certificate of deposit cannot be accessed in full or in part during its term without incurring withdrawal penalties.
Loss Protection	Tax-deferred annuities are not FDIC-insured; however, they are backed by the financial strength of the insurer, without federal limitations as to denomination or styling.	Certificates of deposit are insured by the FDIC up to \$100,000 per account, per institution.