

What's the difference between a fixed annuity and certificate of deposit (CD)?

Annuities issued by American General Life Insurance Company (AGL) and The United States Life Insurance Company in the City of New York (US Life)



Deciding between a fixed annuity and CD depends on your personal financial strategy for the future

A fixed annuity can be an attractive option that offers guaranteed growth potential and tax-deferred benefits for your portfolio.

CDs or tax-deferred annuities? What's your best option? It's a topic you and your financial professional may want to discuss.

Features and Benefits	Fixed Annuities	Certificates of Deposit
Do I have access to my money?	Most fixed annuities allow 10% or more of the contract value to be withdrawn each year without a penalty.	Withdrawing part of the principal before the CD matures generally includes penalties.
Is my money protected?	Your premium is guaranteed by the claims-paying ability of the issuing insurance company.	Most CDs are backed by the FDIC and insured up to \$250,000 per depositor, per institution.
When do I pay taxes on the money?	Your money grows tax deferred and earns compounding interest without taxes due until there's a withdrawal or annuity payments begin. Withdrawals may be subject to federal and/or state income taxes. A 10% federal early withdrawal tax penalty may apply if taken before age 59½ in addition to ordinary income tax. Partial withdrawals may reduce benefits and contract value.	Interest earned on CDs is taxed and reported each year as ordinary income unless the CD is held as an IRA.
What are my income options?	There can be several income payment options to choose from, including annuitization (the process of converting the fixed annuity into a series of fixed payments) that can provide guaranteed lifetime payments.	As a rule, CDs are paid out in a lump sum, however some also allow monthly interest payments. A CD can be liquidated occasionally, but there's no guarantee for lifetime income.
Are my beneficiaries protected?	There can be a guaranteed death benefit that provides income payments to your beneficiary. Generally, designating beneficiaries other than the estate avoids the costs and delays of probate.	CDs may be subject to probate and are paid as a lump sum. In many cases a beneficiary can be selected to avoid probate.

YOUR MONEY WORKS

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Guarantees are backed by the claims-paying ability of the issuing insurance company.

You have options when it comes to finding the right solutions for the retirement you deserve.

Fixed annuities can offer:	Certificates of deposit can offer:
<ul style="list-style-type: none">• Tax-deferred growth• Protection from market volatility• Guaranteed income for life depending on options selected	<ul style="list-style-type: none">• A fixed rate of return when held to maturity• FDIC insured up to \$250,000• Possible avoidance of probate with a designated beneficiary

Depending on your goals, fixed annuities are intended for long-term savings. CDs are designed for short-term savings – anywhere from six months to five years.

Talk with your licensed financial professional to see if a fixed annuity could be a good fit for your financial strategy.

CDs are savings vehicles that offer a fixed rate of return when held to maturity. For CDs offered by FDIC-insured entities, principal and interest is guaranteed by the FDIC. Interest is reportable and taxable as it is earned. CDs are generally for short-term use and have preset early withdrawal penalties. Withdrawal penalties renew each time the CD is renewed. Fixed annuities are long-term investments that offer a tax-deferred fixed rate of return guaranteed by the issuing insurance company. They generally offer a range of income options, including guaranteed lifetime income through annuitization. Withdrawal charges may apply to early withdrawals. Lower maximum capital gains rates may apply to taxable accounts (subject to IRS limitations, capital losses may also be deducted against capital gains), which would reduce the difference between a taxable product and a tax-deferred product. For CDs, the use of joint ownership may avoid probate and state law may allow for a beneficiary designation that avoids probate. Proceeds of an insurance contract paid to a named beneficiary are generally not probate assets.

Retirement plans and accounts such as 403(b)s, IRAs, 401(k)s, etc., can be tax deferred regardless of whether or not they are funded with an annuity. Investment in an annuity within a plan does not provide additional tax-deferred treatment of earnings. However, annuities do provide other features and benefits.

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May not be available in all states and product features may vary by state. Please refer to your contract.

Smart step
Make an annuity a part of the retirement journey

