

CD vs. Annuity Comparison Chart

Overview

	Annuity	Certificate of Deposit
Free from principal/market risk and price fluctuations?	Y	Y
Interest earnings free from current taxation.	Y	N
Interest earnings reinvested automatically with no current income taxation?	Y	N
Tax liability on Social Security Income.	Interest income from a tax deferred annuity is not reportable until withdrawn	N
Liquid.	Y*	Y*
Flexible.	Y	N
Penalty free withdrawal?	Y**	N
Are they free from probate?	Y	N
Taxation on withdrawals?	10% penalty if withdrawn prior to 59 1/2	No tax penalty
How secured?	By the full faith and credit of the insurance company and by state regulations	FDIC insured up to \$250K

*May be subject to early surrender charges. Certain limitations may apply.

**A portion of funds are available from annuities each year.

Loss Protection

Annuities

CERTIFICATES OF DEPOSIT (CDs)

Annuities are backed by the company that issued them, with no limitations to amount or styling.

Currently, CDs are insured by the FDIC up to \$250,000 per account per institution.

Withdrawal Charges

As long term investments, annuities generally have a schedule of declining early withdrawal charges. After a designated period of time, these charges generally reduce to nothing.

As short term investments, CDs generally have preset early withdrawal penalties varying according to their term. The penalty periods restart each time the CD is renewed.

Access

Annuities offer free annual withdrawals of at least 10%. Penalty-free early withdrawals may also be possible in emergency situations.

Having shorter time frames, the money in CDs will be accessible sooner. However, CDs offer no early withdrawals without penalties, regardless of circumstances.

Effects on Social Security Benefits

Interest on annuities is deferred until payment begins. Therefore, it is not counted toward tax liability on Social Security benefits.

CD interest is counted toward taxation on Social Security benefits the year it is earned. This could lead to higher taxes on monthly benefits.

Taxation

Annuities are tax deferred. Their interest income is not reported nor taxed until it is withdrawn. By that point, many clients are in a lower tax bracket due to retirement.

CD interest is reported and taxed the year it is earned. This is true whether any money is withdrawn or not.