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

Finding the right solution for your needs

Fixed Annuity

Deciding between a fixed annuity and CD depends on your financial goals

Fixed annuities can offer guaranteed growth potential and tax-deferred benefits to your strategy.

Features and Benefits	Fixed Annuities	Certificates of Deposit
Do I have access to my money?	Many annuities allow a percentage of the contract value to be withdrawn annually without penalty. Withdrawal charges do not apply to the penalty-free withdrawals.	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 permanently 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.

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

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

Fixed annuities can offer:	Certificates of deposit can offer:
• Tax-deferred growth • Principal protection with no market participation • Guaranteed income for life depending on options selected • Death benefit that can pass directly to the designated beneficiary, avoiding the potential delays and cost of probate • Long-term retirement savings	• A fixed rate of return when held to maturity • FDIC insured up to $250,000 • Possible monthly interest payments • Possible avoidance of probate with a designated beneficiary • Short-term saving

**You have choices for the future you envision. Take action.
Talk to your financial professional about fixed annuities.**

A fixed annuity is a contract between you and an insurance company that, in exchange for your premium (earning a fixed rate of interest), offers a stream of guaranteed income payments.

Annuities are long-term products designed for retirement.

Retirement accounts such as IRAs can be tax deferred regardless of whether or not they are funded with an annuity. The purchase of an annuity within an IRA does not provide additional tax-deferred treatment of earnings. However, annuities do provide other features and benefits.

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.

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