

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 the government's increasing need to create revenue, a deferred annuity may be a great vehicle. Listed below are several differences between CD's and tax deferred annuities:

	<u>CD</u>	<u>Annuity</u>
Will this product provide safety of principal? ¹	YES	YES
Access to principal? (subject to surrender charges) ²	YES	YES
Does the entire principal get invested unreduced by commissions?	YES	YES
Will the product provide tax deferred growth? ³	NO	YES
Does the product provide for flexible contributions?	NO	YES
Will this product avoid the costs and delays associated with probate? ⁴	NO	YES
Can earnings on the product be automatically reinvested without being currently taxed?	NO	YES
Can the product provide guaranteed lifetime income without the principal first being taxed?	NO	YES
Can the product provide social security advantages by reducing taxable income that would make social security taxable?	NO	YES
Can the product provide potentially higher yields?	NO	YES
Does the product provide for loans?	NO	YES

If you need access to your money in a year or two, a tax deferred annuity is not the product for you. If you have at least a five year time horizon, a tax deferred annuity is an option that may provide rates higher than a CD.

1 - Contingent on the claims-paying ability of the issuing insurance company. Accounts in CD's insured by the FDIC are generally limited to \$250,000.

2 - Penalties apply on early withdrawals. Significant charges apply during Surrender Charge Period, which may last for several years. Some annuities offer free withdrawals if the withdrawal does not exceed 10% of the contract value each year. A 10% federal income tax penalty may apply for withdrawals before age 59½.

3 - Income and growth on accumulated cash values are deferred until withdrawn.

4 - For Annuities, the use of joint ownership may avoid probate and state law may allow for a beneficiary designation that avoids probate. Proceeds of insurance contract paid to a named beneficiary are generally not probate assets; check with your advisor.

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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