

SOUND STRATEGIES

How tax deferral adds up to additional earnings

The tax-deferral feature of a fixed annuity uses the power of compounding to help you accumulate more money over the long term.

The interest you earn continues to grow in an annuity contract. Even when you pay taxes on your earnings after withdrawal, you're still ahead, as this chart shows.

Annuity interest rate	Holding period	Additional after-tax earnings of a fixed annuity over taxable investment at same rate
3%	5 years	\$191
	7 years	\$415
	15 years	\$2,385
	20 years	\$4,713
4%	5 years	\$345
	7 years	\$759
	15 years	\$4,572
	20 years	\$9,312
5%	5 years	\$549
	7 years	\$1,220
	15 years	\$7,703
	20 years	\$16,178

Based on a \$100,000 contribution to a nonqualified, fixed annuity. Rates are hypothetical and are not illustrative of a particular investment. Assumes a federal income tax rate of 28%; that the annuity is liquidated and that all taxes are paid at the end of the holding period; that no withdrawals are made from the annuity; and no deferred sales charges were incurred.



Because your earnings grow without being reduced by taxes, the power of compounding helps you earn more over the long run.

Not a deposit – Not FDIC/NCUA insured – Not insured by any federal government agency – Not guaranteed by any bank or credit union – May go down in value

Insurance products issued by:

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An annuity is intended to be a long-term, tax-deferred retirement vehicle. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10% federal tax penalty. If the annuity will fund an IRA or other tax qualified plan, the tax deferral feature offers no additional value. Qualified distributions from a Roth IRA are generally excluded from gross income, but taxes and penalties may apply to non-qualified distributions. Please consult a tax advisor for specific information. There are charges and expenses associated with annuities, such as deferred sales charges (surrender charges) for early withdrawals.

Guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

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