

# Fixed Deferred Annuity or Bank CD

## Which is right for you?

Choosing how to invest your money for retirement is always a challenge. You understand the need to diversify your portfolio. You want to reduce your exposure to risk. But still want to get the highest return possible.

The fixed deferred annuity and Certificate of Deposit (CD) are two popular, conservative investment options, which tend to be compared to one another. Look at the differences below.

<i>Investment Considerations</i>	<i>Fixed Deferred Annuity</i>	<i>CD</i>
Investment Level of Risk	Low	Low
Taxation	Not taxed until money is withdrawn. You benefit from the advantages of compounding interest by: - Earning interest on principal - Earning interest on the interest - Earning interest on the money that would have been lost to current income taxes	Taxed in the year the interest is earned, even if you don't take money out
Guaranteed principal <sup>1</sup>	Yes – subject to claims-paying ability of insurance company	Limited guarantee – FDIC insurance up to \$100,000
Money is free of market risk and price fluctuation	Yes – fixed rates; interest rates credited have the potential to change over time, but are guaranteed not to be less than the guaranteed minimum interest rate stated in the contract	Yes – fixed rate; rate does not have potential to change
Current taxes	Yes – not taxed until money is withdrawn	No – interest is taxed each year
Guaranteed minimum interest rate	Insurance company sets a minimum rate so they cannot go below a certain rate	Interest rates will vary depending on current market conditions and the length of time to maturity
Avoids probate	Yes – the annuity is passed straight to named beneficiary	No – goes through probate
Able to take cash withdrawals without penalty	Generally able to withdraw a portion of account value, usually 10% a year, without a surrender charge <sup>2</sup>	If you withdraw money prior to the maturity date, you may pay an interest penalty
Guaranteed lifetime income with additional tax benefits	Yes	No
Capable of stretching to a beneficiary	Yes	No

<sup>1</sup>Guarantees dependent upon the claims-paying ability of Principal Life Insurance Company.

<sup>2</sup>Values withdrawn prior to age 59½ may be subject to a 10% IRS penalty tax.

*Annuities are not insured by the FDIC, are not obligations or deposits of any bank, nor guaranteed by any bank and involve risk, including the possible loss of principal invested if the issuing insurance company is unable to meet its obligation.*

*If you are purchasing an annuity to fund a tax-qualified retirement plan (IRA) you should be aware that this tax deferral feature is available with any investment vehicle and not unique to an annuity. Carefully consider the features and benefits of the annuity in making the decision to purchase it.*

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