

# ANNUITIES VS. CDS – WHAT'S THE DIFFERENCE?



Annuities and Certificates of Deposit (CDs) are popular choices among individuals who want a safe, low risk way to save their money. But what exactly is an annuity or a CD? And which one would suit clients best for their needs? Both have pros and cons so let's take a closer look and see what differentiates the two.

## **What is an Annuity?**

An annuity is a policy issued by an insurance company that can help individuals save money and aids in protecting them from outliving their retirement. There are several different types of annuities to choose from that can be tailored for an individual's needs.

## **What is a Certificate of Deposit (CD)?**

A CD is a type of savings vehicle offered by banks and credit unions to customers who want to earn more than they would with a regular savings account. Typically, the principal cannot be accessed until the end of the policy term or else risk penalty fees or loss of interest.

## **Similarities:**

- Both are low risk savings plans
- Both have principal protection
- Both earn a guaranteed fixed amount of interest
- Both offer access to the principal

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## Differences:

- Annuities are geared toward retirement savings. CDs are more geared toward general savings.
- Annuities grow tax deferred. CD’s interest is taxed annually.
- Annuities are held accountable by the issuing insurance company/state. CDs are held accountable by the FDIC.
- Annuities are very flexible and customizable. CDs are not.

Whether or not an annuity or a CD is right for one of your clients relies on a number of factors. For instance, how long does the individual want their money invested in the product? Do they need liquidity and flexibility? What is their overall financial goal with the money they are investing? If they are in need of flexibility, a lifetime income stream, and financial security for retirement an annuity may be right for them. Thankfully, American National has a variety of competitive products that can provide just that.

Right now, American National’s Palladium® Multi-Year Guarantee (MYG) Annuity provides an attractive fixed interest rate and the ability to grow their earnings on a tax deferred basis. Just look at our rates when compared to the national CD rate average.

MYG Term	Yield to Surrender <sup>1,2</sup>
3 – year	<b>3.90%</b>
5 – year	<b>4.20%</b>
6 – year	<b>4.10%</b>

CD Term	CD National Average APY <sup>3</sup>
1 – year	<b>0.52%</b>
3 – year	<b>0.60%</b>
5 – year	<b>0.69%</b>

1) Competitor information sourced from annuityratewatch.com and is valid as of 8/1/2022. 2) MYG rates for initial premiums of \$250,000 or more. For initial premiums of less than \$250,000, subtract 0.15% for the duration of the Interest Rate Guarantee Period as stated in the contract's data section, for premiums of less than \$100,000, subtract 0.25% for the duration of the Interest Rate Guarantee Period as stated in the contract's data section. 3) Best CD rates for August 2022, Bankrate, 2022. American National Insurance Company, headquartered in Galveston, Texas is licensed to conduct business in all states except New York.

Policy Form Series: MYG20, MYG16(04), AI

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