



SPIA vs CD

Many retirees purchase Certificates of Deposit to protect and preserve their hard-earned savings and to generate more income from their nest eggs. A Single Premium Immediate Annuity (SPIA) can provide your clients the same security, with several important advantages.

Here are a few key ways a SPIA can help clients better achieve their retirement goals:

GUARANTEED INCOME FOR LIFE

Most retirees need a steady income during retirement. A SPIA is the only financial product that can guarantee an income for life or other specified period.* While a CD allows for systematic cash outs, or interest only payments, there's no guarantee the funds will last the retiree's lifetime. Managing the timing of multiple renewals and withdrawals from a CD also can be time consuming and confusing.

FLEXIBLE INCOME OPTIONS

Several optional features of a SPIA allow clients to tailor payouts to fit their needs. They can choose a payment period and frequency to meet their unique circumstances.

CONTINUED TAX DEFERRAL ON QUALIFIED ASSETS

Because interest earned under a SPIA – when funded with rollover assets from a qualified retirement plan – is tax deferred until withdrawn, savings will compound more quickly than with taxable savings vehicles. Taxes on a CD may be payable each year or at the end of the term. Interest generally is taxed as ordinary income.

INFLATION-FIGHTING OPTIONS

A SPIA may include an optional annual cost-of-living adjustment to help clients cope with rising inflation that can diminish their purchasing power.

The Advantages of Immediate Annuities

LIQUIDITY OF FUNDS

CDs are subject to penalties if cash is withdrawn before the CD matures. SPIAs provide guaranteed payments and may provide a return of premium in the event of your client's premature death.

NO PROBATE

Upon an annuity owner's death, any remaining payments due under the annuity will be payable directly to the spouse or beneficiary outside of probate. This avoids delays and costs associated with probate. Unless a CD owner has completed a "transfer upon death" form at the bank, the CD will pass through probate.**

HIGHER MONTHLY PAYOUTS

Not only does a SPIA offer all the advantages listed above, it also outperforms CDs on monthly payout rates.

Certificate of Deposit	Single Premium Immediate Annuity
\$100,000 investment	\$100,000 investment
5% interest rate	Male, age 60 – Pays \$6,647 annually
Pays \$5,000 annually	Male, age 65 – Pays \$7,284 annually
	Male, age 70 – Pays \$8,160 annually

Rates as of 10/15/09.

This chart is for illustrative purposes only.

* Fixed annuities provide guarantees, including safety of principal, from the issuing company. CD's provide guarantees from the FDIC

** A CD may avoid probate only if the account contains a payable on death designation or was owned as joint tenant with rights of survivorship

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