Fixed Annuities vs. CDs

Both options are a safe way to save money, but what are the differences between a Fixed Annuity and a CD? Below is a comparison of their key features.

	Fixed Annuity	CD
Sold By	Insurance companies	Banks
Size	~$5,000 – $1,000,000	Virtually any denomination
Term	3 – 10 years, but may vary by carrier and product	3 months – 10 years, but may vary by bank
Interest Rates	Vary by term and size, but typically higher than CD rates	Vary by term and size, but typically lower than fixed annuity rates
Taxes	In general, contract growth is tax-deferred	In general, interest is taxable annually as earned
Liquidity	You may be allowed to withdraw a portion of the premium annually without penalty	Any amount withdrawn is generally subject to a penalty
Withdrawl Provisions	A surrender charge and market value adjustment typically apply to any withdrawals above the free withdrawal amount*	All withdrawals are charged, typically equal to a set number of days of interest
FDIC Insured	No	Each depositor is insured by the FDIC up to at least $250,000

This is a general comparison for illustrative purposes only. It is not intended as financial or tax advice. You should carefully consider your options and consult with a financial and tax professional for help determining which product is best for you. Actual details may vary depending on the insurance company, bank and/or product.

*A surrender charge is equal to a percentage of the amount withdrawn that is above any free withdrawal amount. If you take a withdrawal in excess of the free withdrawal amount or surrender your contract, you may pay a surrender charge, which may result in the loss of some or all of your previously earned interest, and a partial loss of principal. The early withdrawal penalties under annuities are generally higher than the penalties paid under a CD. Contracts vary. Refer to contract materials for specific details.