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Solutions for life.™*



APPLES TO APPLES?

COMPARING THE ADVANTAGES OF A FIXED IMMEDIATE ANNUITY AND A CERTIFICATE OF DEPOSIT (CD)

It can be difficult to compare the features and benefits of alternative financial strategies. Many financial products claim to provide guarantees, flexibility, safety and more. Here we'll take a look at two popular ways many retirees plan on taking income from their nest egg – Immediate Annuities and CD's.

What is it?

An Immediate Annuity is a contract with an insurance company. In exchange for a sum of money, the insurance company guarantees to pay you an income stream for the amount of time you choose.

A Certificate of Deposit (CD) is a document written by a bank that is evidence of a deposit, with the issuer's promise to return the deposit plus earnings at a specified interest rate within a specified time period.

How do I receive income?

Annuities offer a variety of income payment options. You can choose to select guaranteed income for life or a certain period of time from 5 to 50 years. Income payments can be paid monthly, quarterly, semi-annually or annually.

CD's can provide interest only payments or you can systematically cash out. These strategies may require you to manage the timing of multiple renewals and withdrawals.

Who Provides the Guarantee?

The guarantees provided by annuities are based on the claims-paying ability of the issuing insurance company.

CD's are backed by the issuing bank who is Federal Deposit Insurance Corporation (FDIC) insured.

Will I Pay Taxes on my Money?

With an Immediate Annuity, a portion of your annuity payments may not be taxable.

Depending on the type and length of your CD, taxes on the interest earned may be payable each year or at the end of the term. Interest is generally taxed as ordinary income.

The discussion of tax treatments in this material is the Genworth Financial companies' interpretation of current tax law and is not intended as tax advice. Consult your contract and your tax professional for an understanding of your situation.

Can I Access my Money?

With an Immediate Annuity, you are guaranteed to receive systematic payments. If you decide you need more money, you may be able to receive a reduced benefit in a lump sum for a fee.

CD's may be subject to penalties if cash is withdrawn prior to the maturity date.

What Happens if I Die?

When an annuity owner dies, any remaining guaranteed benefit of the annuity will directly pass to the beneficiary – without probate. An annuity has the advantage of avoiding the delays and costs associated with probate.

Generally, CD's will pass through probate unless the CD owner has completed a "transfer upon death form" at the bank.

How Much Can I Expect to Receive?

Let's look at an example:

Luther, age 65, has retired and is looking for a way to utilize \$100,000 of his nest egg to begin receiving income.

Option 1: Luther purchases a \$100,000 Immediate Annuity with a lifetime payout option. He is guaranteed to receive tax-advantaged income of \$7,500 annually for the rest of his life – no matter how long he lives. He may also choose to guarantee income for a certain period of time or opt to have payments increase to provide inflation protection.

Option 2: Luther invests \$100,000 in a CD currently paying 5% interest. He receives \$5,000 in interest annually for 5 years. At the end of the 5 years he can choose to invest in an additional CD or another alternative.

So, you decide. Depending on your goals, a CD or an Immediate Annuity may be the right strategy for receiving income from your nest egg. Your financial advisor can help you evaluate your options and choose the strategy that is right for you.

Investment Vehicle	Amount Invested	Term	Annual Payout	Remaining Value	Accessibility	Tax Advantaged Income?	Guarantee?
Immediate Annuity	\$100,000	Lifetime	\$7,500	\$0	For a reduced benefit, penalties may apply	Yes	Yes, backed by the insurance company
CD	\$100,000	5 years	\$5,000	\$100,000	Penalties may apply	No	Yes, backed by the FDIC

This chart is for illustrative purposes only.

Call me today for help evaluating if an Immediate Annuity or a CD is right for you!

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