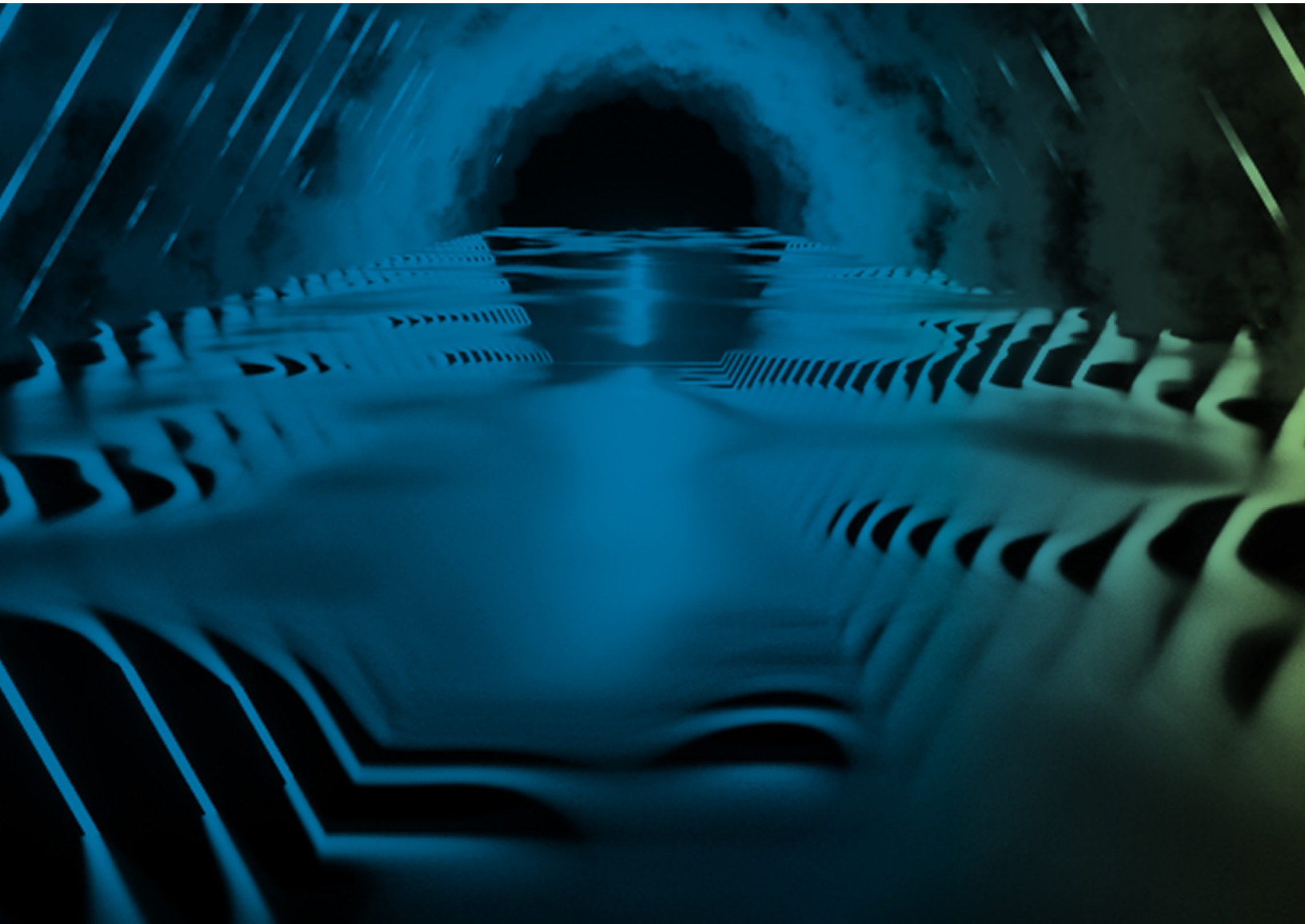


Annuity Fast Facts: Fixed Annuities

August 2023

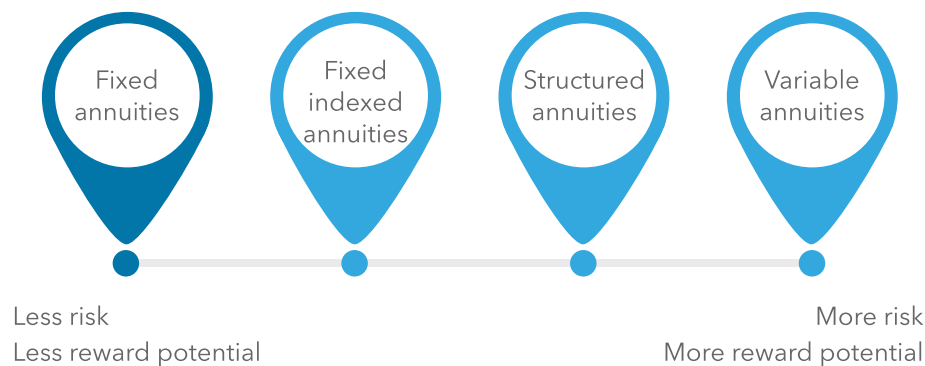


Annuity fast facts

This profile of fixed annuities is one in a series created to increase awareness of annuities by providing market color, friendly tips, and interesting stats at a glance.

A deferred annuity is a long-term, tax-deferred investment issued by an insurance company and purchased through a qualified professional.

There are four main types:



Fixed annuities

Fixed annuities preserve retirement assets by providing both a guaranteed annual return and full protection of principal.

Did you know?

Banks are not the only option when an investor is seeking returns and wants full protection. Insurance companies have had a product comparable to a Certificate of Deposit (CD) for decades. Like CDs, fixed annuities provide both:

- Full protection of an investor's premium.
- A specified, guaranteed return.

Tax fact: Keep more to earn more

With a fixed annuity, interest in an investor's contract grows tax-deferred and annual tax savings stay in the account to earn interest. This can grow savings faster until money is withdrawn. Contrast that to a CD, where earned interest is taxable every year.

Because fixed annuities generally have longer holding periods than CDs, insurance companies generally offer higher annual interest rates than a typical bank CD.

Investors should work with a qualified professional to find the right fixed annuity for their financial needs.

Given the equity market's pullback in 2022, many investors are looking for a reasonable return on retirement savings they are not willing to put at risk.

Friendly tip: Shop around

Just like some banks offer higher interest rates on savings than other banks, fixed annuity rates can differ widely from one insurance company to another. In addition, like CDs, fixed annuities come in a wide range of rate guarantee periods.

Interesting fact

Fixed annuity sales in the first half of 2023 were up 64% versus the first half of 2022, representing the highest six-month period in fixed annuity sales to date.¹ Fixed annuities benefit from high interest rate environments, with insurance companies able to offer more attractive rates.

Know that fixed annuities:

- May not provide returns that keep pace with inflation.
- Are not FDIC insured like CDs, and guarantees under a fixed annuity contract are backed by the issuing insurance company and subject to its claims paying ability.
- Are considered a long-term investment, typically carrying penalties (such as a surrender charge) if money is withdrawn during the stated surrender period.
- Come with an additional 10% federal tax penalty for withdrawals prior to age 59½.

ENDNOTES

1. [Record-High Sales of Registered Index-Linked and Fixed Indexed Annuities Drive Overall Sales Growth in the Second Quarter 2023](#), LIMRA, July 25, 2023.



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