One in Five Americans

Moved Their Assets to "Safe Havens"*

Do you have clients that are having trouble weighing the differences between CDs and Fixed Annuities?

The Clients: Peter and Jan, married, 63 and 62

The Situation: While in the local bank one day, Jan picks up a brochure for a bank Certificate of Deposit (CD). She and Peter are looking for a low-risk option for a portion of their savings. Jan wants a competitive return on her investment, but is most concerned with safety of her principal. Peter and Jan are concerned about putting their savings into any investment with a high market risk, so the CD sounds like a viable option.

The Strategy: Peter and Jan meet with their agent, Oliver, to discuss the benefits and drawbacks of this strategy. Oliver points out that if they are interested in principal protection and modest growth, then they have a selection of products to choose from that meet those criteria. Oliver gets additional information from Peter and Jan about their long-term and near-term goals, and he asks the two if they have considered a fixed deferred annuity.

** Source: Target Research Group, February 2009.*

The Solution: Oliver explains that because Peter and Jan don't plan to use this money until they retire, a fixed annuity may be a better option than a CD. He explains that a fixed deferred annuity offers potential advantages that they may find appealing:

- Tax-deferred growth
- Ability to withdraw up to 10% of the annuity's cash value each year without surrender charges
- Opportunity to convert account balance into guaranteed income for life
- Guaranteed interest rates that are typically comparable — or better — to CD rates

Contact Your General Agent For More Information

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Many people only think of CDs when looking for a safe investment option — especially when the stock market drops and they realize how quickly investments can fall. When evaluating products, clients may not know that a fixed annuity is another option that offers secure and guaranteed growth.

Talk with your clients about their goals for saving and explain how a fixed annuity can help them.

Here are some things to keep in mind when talking to clients about Fixed Deferred Annuities and Certificates of Deposits.

	Fixed Deferred Annuity	Certificate of Deposit
Income Taxation	Interest grows tax-deferred allowing funds to grow faster (assuming interest rates are equal to or greater than the CDs rates). Withdrawals are income taxable to the extent of gains and may be subject to a 10% federal penalty tax if taken before age 59½.	Interest income reportable and taxed annually
Access to Money	10% of Cash Value can be withdrawn each year without surrender charges	Withdrawals prior to maturity are generally subject to penalties
Lifetime Income Options	Deferred annuities offer options that can create income guaranteed to last a lifetime	With CDs, often the plan is to cash them in periodically to create cash flow, but there is no guarantee these funds will last a lifetime
Payment Options	Multiple payment options available. Interest earned is not taxed until withdrawals are made – offers tax deferral	Funds received in lump sum or some CDs allow monthly interest payments, but taxes will be due.
Payment Upon Death	Funds pass directly from insurance company to beneficiary(s). Cash value in excess of basis is taxed as ordinary income across payment option chosen	Can be subject to delay and costs of probate, paid as a lump sum with interest fully taxed upon receipt
Safety of Principal	Fixed annuity guarantees are based on the claims-paying ability of the issuing insurance company.	CDs are backed by the issuing bank who is FDIC insured for up to $100,000 per account, per institution.

All guarantees are based on the claims-paying ability of the issuing insurance company.

There is no additional tax deferral benefit for annuities purchased in an IRA, or any other tax-qualified plan, since these plans are already afforded tax-deferred status. The other benefits and costs should be carefully considered before purchasing an annuity in a tax-qualified plan.

Withdrawals/surrenders have the effect of reducing the contract value and death benefit.

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. Your clients should consult the contract and a tax professional.

Fixed Deferred and Immediate Annuities Issued by

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Genworth Life Insurance Company of New York

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