

Fixed Annuities

Too Good To Be True?

Fixed annuities offer safety, guaranteed minimum interest rates, tax-deferred growth, life-long income, and control. That may sound too good to be true—but it's not!



SIMPLY DEFINED, AN annuity is a contract between you and an issuer. You agree to give the issuer principal. In return, the issuer guarantees you fixed or variable payments over time. Like a retirement plan, you can fund an annuity in a lump sum or a little at a time, and all capital grows and compounds tax deferred until you begin making withdrawals. Unlike a retirement plan, there is no limit to how much money you can put into an annuity.

What types of annuities are there?

There are two types of annuities—variable and fixed. Variable annuities allow you to invest in a selection of funds, called sub-accounts, which are tied to market performance. Like mutual funds, they involve investment risks. Selecting the right one can be a confusing process. Variable annuities also have several charges that will reduce the value of your account and the return on your investment.

Fixed annuities, on the other hand, are invested primarily in government securities and high-grade corporate bonds. They provide a guaranteed fixed rate of return during the accumulation phase and the option to receive a fixed

benefit during the annuitization process (the period when annuity payments are received). National Mutual Benefit has a portfolio of excellent fixed annuity products with several income options (including life-long benefits) to choose from.

How do fixed annuities compare to CDs?

Both fixed annuities and CDs (certificates of deposit) are safe, secure investments with guaranteed rates of return based on interest rates issued by financial institutions (CDs by banks, annuities by insurance companies). CDs have FDIC protection to guard against bank or banking industry failure, but annuities also have safety measures instituted by the state to ensure that insurance companies have reserve pools in place.

While fixed annuities offer everything CDs do, they have several distinct advantages—generally higher returns, tax-deferral, and liquidity.

Higher Returns. Like CDs, annuities are interest sensitive. When rates are low, so are CD returns. But fixed annuities have a minimum guaranteed rate. You will never earn less than this rate.

Tax-Deferral. You pay taxes on CD interest earned. With annuities, earnings are tax deferred. You only pay taxes on interest earned when money is withdrawn. This means the deferred tax on your interest remains in the annuity,

earning you more and more money instead of going to state and federal taxes every year.

Liquidity. Since CD withdrawals are usually subject to a substantial penalty, it is generally not in your best interest to withdraw any money before maturity. But with annuities, you are allowed to withdraw money. NMB's Advantage II annuity has options that allow you up to 12 percent in penalty-free withdrawals annually, even in the first policy year.

Is a fixed annuity right for you?

According to a 2005 LIMRA report, the average fixed annuity buyer is 55 to 62 years of age and places approximately \$50,000 into a fixed annuity. But many annuity buyers are in their 30s and 40s. For younger generations, an annuity is a financial product that can serve a dual purpose—deferring taxes and building a retirement nest egg. Today, more and more people of all ages are looking to the safety and guaranteed benefits of fixed annuities.

Would an NMB fixed annuity be the perfect fit for you? To find out and learn more about NMB's competitive annuity products, contact your local NMB representative or fill out and mail the postage-paid card located between pages 16 and 17. If you'd prefer, call the Home Office at 1-800-779-1936 and we will be happy to assist you. ♦