Ducking the Tax Punch

Taxes sure can pack a wallop.

Maybe it's time to take a look at a tax-deferred annuity.

Let's say a taxable investment, such as a certificate of deposit, carries a 5 percent annual interest rate. If you're in a 27 percent effective income tax bracket, you'd have interest income of *less than 4 percent* after taxes. And that's without taking into account state and local taxes.

Effective Tax Rate	A Nominal Rate of: 4%	5%	6%	7%	8%
	Is Equivalent to an After-tax Return of:				
10%	3.6%	4.5%	5.4%	6.3%	7.2%
15%	3.4%	4.3%	5.1%	6.0%	6.8%
27%	2.9%	3.7%	4.4%	5.1%	5.8%
30%	2.8%	3.5%	4.2%	4.9%	5.6%
35%	2.6%	3.3%	3.9%	4.6%	5.2%
38.6%	2.5%	3.1%	3.7%	4.3%	4.9%

Rates shown are hypothetical rates for a currently taxable investment and do not represent the return of any particular investment. Tax-deferred products, such as fixed annuities, offer tax deferral during the accumulation stage but withdrawals of earnings are taxed as ordinary income and, if taken prior to age 59½, may be subject to an additional 10% federal tax penalty. Money held in an annuity may not be as readily accessible as funds held in a taxable investment because most annuities have surrender charges in the early years of the contract. This chart is for illustrative purposes only and is based on effective tax rates.

In addition to tax-deferred growth of your account balance, annuities offer traditional insurance benefits such as:

- A source of lifetime payments or other income options through annuitization
- Access to a certain portion of your money without a surrender charge
- Direct payment of death proceeds to named beneficiaries, avoiding the expense and delay of probate

So when you're thinking about your financial situation, be sure to factor in the effect of taxes. Don't let taxes give you a knock-out punch! Ask an investment professional about tax-deferred annuities.

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