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| Farmer & Associates 480-988-5446    |

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| http://image.mail.independentmarketinggroup.net/lib/fe641570706407797213/m/3/5c79bd57-f7e6-4086-b0b5-89c8cf842fc5.png |   | CDs vs. FixedDeferred Annuities |

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| For individuals concerned that their CDs do not pay sufficient income and who are concerned that what income they make is taxed away by the U.S. Government in their increasing need to create revenue, a deferred annuity is an option to consider. |

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| **Listed below are several differences between CDs and tax deferred annuities:** |

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|  | **CD** | **Annuity** |
| **Will this product provide safety of principal?** | **YES** | **YES** |
| **Access to principal? (subject to surrender charges)1** | **YES** | **YES** |
| **Does the entire principal remain unreduced by commissions?** | **YES** | **YES** |
| **Will the product provide tax deferred growth?2** | **NO** | **YES** |
| **Does the product provide for flexible contributions?** | **NO** | **YES** |
| **Will this product avoid the costs and delays associated with probate?3** | **NO** | **YES** |
| **Can earnings on the product be automatically recontributed without being currently taxed?** | **NO** | **YES** |
| **Can the product provide guaranteed lifetime income without the principal first being taxed?** | **NO** | **YES** |
| **Can the product provide social security advantages by reducing taxable income that would make social security taxable?** | **NO** | **YES** |
| **Can the product provide potentially higher yields?** | **NO** | **YES** |

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| Let Us Review These Benefits With You |
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| **Things to Consider:** |
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| • | Accounts in CDs insured by the FDIC are generally limited to $250,000 |
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| • | Penalties apply on early withdrawals for CDs and Annuities |
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| • | For CDs, the use of joint ownership may avoid probate and state law may allow for a beneficiary designation that avoids probate. |
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| 1. | **Penalties apply on early withdrawals. For annuities significant charges apply during the Surrender Charge Period, which may last for several years. Some annuities offer free withdrawals if the withdrawal does not exceed 10% of the contract value each year. A 10% federal income tax penalty may apply for withdrawals before age 59½.** |
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| 2. | **Income and growth on accumulated cash values are deferred until withdrawn.** |
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| 3. | **For CDs, the use of joint ownership may avoid probate and state law may allow for a beneficiary designation that avoids probate. Proceeds of insurance contracts paid to a named beneficiary generally bypass probate; check with your tax advisor. Current U.S. tax laws provide that earnings from an annuity are taxable only upon withdrawal as ordinary income. In contrast, interest earnings from a CD may be taxed annually and at rates that vary depending upon the nature of the earnings and the individual’s tax bracket. Lower maximum tax rates on capital gains and dividends could make the return for the taxable product more favorable, thereby reducing the difference between a taxable product and a tax deferred product.** |
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| **Farmer & Associates does not give tax advice. Clients should contact their attorney or tax advisor on their specific situation.** |

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