

What are the tax advantages of an annuity?

Deposits into an annuity are not tax-deductible, however you don't have to pay taxes on the interest earned until you begin making withdrawals. This tax-deferral* period can have a dramatic effect on the growth of an investment. Use this calculator to compare the tax advantages of an annuity versus an account where the interest is taxed each year.

Assumptions

Initial balance or deposit (\$)

236,000

Annual contribution amount

0

Annual increase in contributions (%)

0%

Number of years for the analysis

40

Before-tax return (%)

7%

Marginal Tax Brackets

During deposit(s)

22%

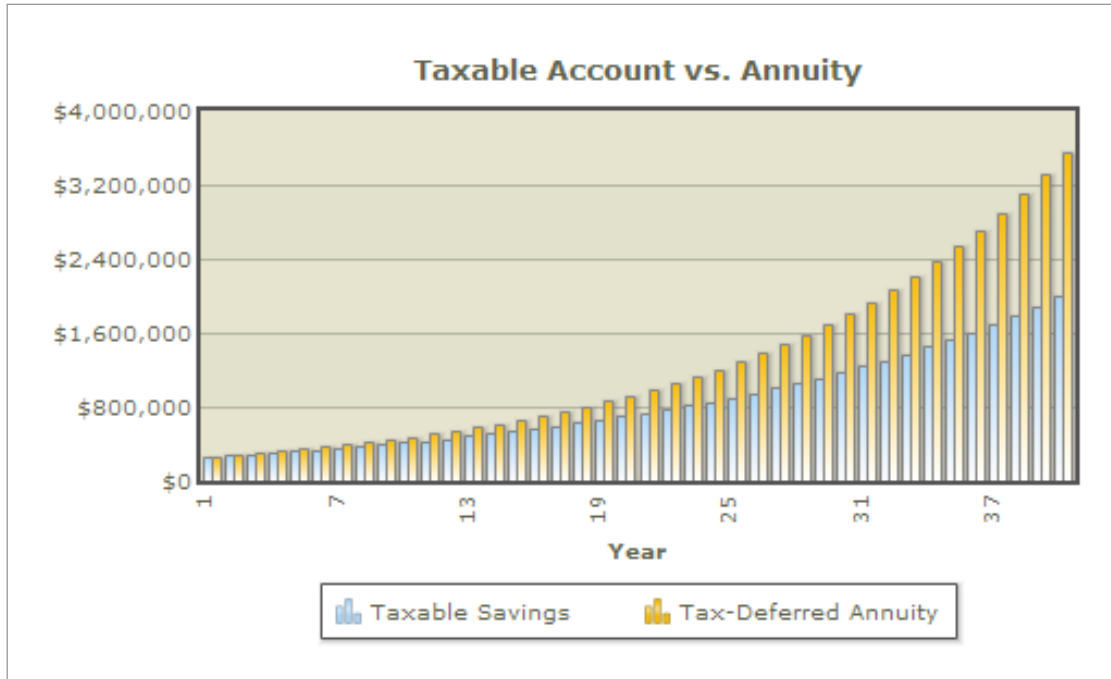
At withdrawal

22%

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Results

By purchasing a tax-deferred annuity, after 40 years, you could accumulate \$3,533,972 (resulting in \$2,808,418 after taxes) vs. \$1,978,895 in a taxable account. Withdrawal charges may also apply if you surrender or take withdrawals from your annuity in the early years.



Year	Annual Contribution @ 0.00%	Taxable Account				Non-Qualified Annuity		
		Beginning Balance	Interest @ 7.00%	Taxes @ 22%	Taxable Ending Balance	Beginning Balance	Interest @ 7.00%	Annuity Ending Balance
1	\$0	\$236,000	\$16,520	\$3,634	\$248,886	\$236,000	\$16,520	\$252,520
2	0	248,886	17,422	3,833	262,475	252,520	17,676	270,196
3	0	262,475	18,373	4,042	276,806	270,196	18,914	289,110
4	0	276,806	19,376	4,263	291,919	289,110	20,238	309,348
5	0	291,919	20,434	4,496	307,858	309,348	21,654	331,002
6	0	307,858	21,550	4,741	324,667	331,002	23,170	354,172
7	0	324,667	22,727	5,000	342,394	354,172	24,792	378,964
8	0	342,394	23,968	5,273	361,089	378,964	26,528	405,492
9	0	361,089	25,276	5,561	380,804	405,492	28,384	433,876
10	0	380,804	26,656	5,864	401,596	433,876	30,371	464,248
11	0	401,596	28,112	6,185	423,523	464,248	32,497	496,745



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12	0	423,523	29,647	6,522	446,648	496,745	34,772	531,517
13	0	446,648	31,265	6,878	471,035	531,517	37,206	568,723
14	0	471,035	32,972	7,254	496,753	568,723	39,811	608,534
15	0	496,753	34,773	7,650	523,876	608,534	42,597	651,131
16	0	523,876	36,671	8,068	552,480	651,131	45,579	696,711
17	0	552,480	38,674	8,508	582,645	696,711	48,770	745,480
18	0	582,645	40,785	8,973	614,457	745,480	52,184	797,664
19	0	614,457	43,012	9,463	648,007	797,664	55,836	853,500
20	0	648,007	45,360	9,979	683,388	853,500	59,745	913,246
21	0	683,388	47,837	10,524	720,701	913,246	63,927	977,173
22	0	720,701	50,449	11,099	760,051	977,173	68,402	1,045,575
23	0	760,051	53,204	11,705	801,550	1,045,575	73,190	1,118,765
24	0	801,550	56,109	12,344	845,315	1,118,765	78,314	1,197,079
25	0	845,315	59,172	13,018	891,469	1,197,079	83,796	1,280,874
26	0	891,469	62,403	13,729	940,143	1,280,874	89,661	1,370,535
27	0	940,143	65,810	14,478	991,475	1,370,535	95,937	1,466,473
28	0	991,475	69,403	15,269	1,045,609	1,466,473	102,653	1,569,126
29	0	1,045,609	73,193	16,102	1,102,700	1,569,126	109,839	1,678,965
30	0	1,102,700	77,189	16,982	1,162,907	1,678,965	117,528	1,796,492
31	0	1,162,907	81,403	17,909	1,226,402	1,796,492	125,754	1,922,247
32	0	1,226,402	85,848	18,887	1,293,363	1,922,247	134,557	2,056,804
33	0	1,293,363	90,535	19,918	1,363,981	2,056,804	143,976	2,200,780
34	0	1,363,981	95,479	21,005	1,438,454	2,200,780	154,055	2,354,835
35	0	1,438,454	100,692	22,152	1,516,994	2,354,835	164,838	2,519,673
36	0	1,516,994	106,190	23,362	1,599,822	2,519,673	176,377	2,696,050
37	0	1,599,822	111,988	24,637	1,687,172	2,696,050	188,724	2,884,774
38	0	1,687,172	118,102	25,982	1,779,292	2,884,774	201,934	3,086,708
39	0	1,779,292	124,550	27,401	1,876,441	3,086,708	216,070	3,302,778
40	0	1,876,441	131,351	28,897	1,978,895	3,302,778	231,194	3,533,972

*Tax deferral offers no additional value if an IRA or qualified plan, such as a 401(k), is used to fund an annuity and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

Annuities are long-term, tax-deferred vehicles designed for retirement. Variable annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met.



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