

Comparing fixed annuities and CDs: Which one works best for retirement?

Both fixed annuities and traditional certificates of deposit (CDs) and fixed annuities are good ways to save for the future. Each offers a safe, secure way to grow your savings with a guaranteed rate of return. But they also have several distinct differences.

Here's a quick look at how they compare.

Feature	Fixed annuity	CD
Guaranteed interest rate, no market risk	✓	✓
Available for time periods less than one year	✗	✓
Interest earnings automatically reinvested	✓	✓
Earnings grow tax deferred	✓	✗*
Penalty-free withdrawals of up to 10% each year**	✓	✗
Guaranteed lifetime income options	✓	✗
Full value goes directly to beneficiaries at owner's death	✓	✓
Guaranteed by the FDIC	✗	✓

*Earnings on a CD would be tax deferred if a CD is in an IRA or other tax-deferred retirement savings account.

**Not available with all contracts and may not be available within the first contract year.