



# Cost to Wait for a Better Rate Could Be Too Great

If you're waiting for rates to rise more before selecting a longer term for your savings, the cost may be too great. Many savers have stayed in short-term certificates of deposit (CDs) in the belief that interest rates will continue to rise. The Federal Reserve has been on a path to raise rates since December 2015 and may make additional increases.

In the hypothetical example below, a conservative saver renews a one-year \$100,000 CD each year for five years in a rising rate environment while waiting to see how fast and how much rates will go up. In this scenario, the individual's after-tax account value after five years is \$103,599, a net gain of \$3,244.

If this same individual had placed money in an annuity with a tax-deferred interest rate instead, then the contract's value after five years would be \$111,768, nearly \$9,000 more than the growth from the CD strategy. As the examples show, the cost of waiting could be significant. Take advantage of higher interest rates and tax deferral by talking to a financial professional today.

Year	Hypothetical 1 year CD Interest Rate	After Tax Account Value* (415 combined tax bracket)
1	0.50%	\$100,355
2	0.75%	\$100,889
3	1.00%	\$101,606
4	1.25%	\$102,507
5	1.50%	\$103,599

\* Assumes taxes are paid out of the CD at the end of each year at a combined federal and state tax rate of 29% (24% federal and 5% state).<sup>1</sup> Assumes interest is automatically reinvested each year.

Year	Hypothetical Tax-deferred Interest Rate	Account Value*
1	2.25%	\$102,250
2	2.25%	\$104,551
3	2.25%	\$106,903
4	2.25%	\$109,308
5	2.25%	\$111,768

\* Interest credited is taxable upon surrender at normal income tax rates.

<sup>1</sup> BankRate.com, federal; TaxFoundation.org, state

This example is hypothetical and in no way relates to the actual performance of any savings plan. The return on any particular product may differ substantially. Withdrawals from a tax-deferred annuity are subject to ordinary income tax and, if made prior to age 59½, may be subject to a 10% IRS penalty tax. Conversely, earnings from savings plans that do not offer tax deferral are taxed and withdrawals from such an investment are not subject to the penalty tax.

Some situations such as your personal investment horizon and income tax brackets (both current and anticipated), changes in tax rates and tax treatment of savings and investment earnings, and lower maximum tax rates on capital gains and dividends may impact the results of this comparison. Each person's situation is different so these and other considerations must be taken into account when making a savings decision.

Certificates of deposit offer features not available through annuities such as FDIC insurance. Annuities also have surrender charges that CDs do not.

# Your path *To and Through Retirement*<sup>®</sup> begins here.

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**Talk to your financial professional to learn more  
or contact us at 800.888.2461.**

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Early withdrawals may be subject to surrender charges.

Interest rates here are hypothetical. The same rate may not be available at the time of purchase.

All guarantees provided by a fixed annuity contract, including the Guaranteed Minimum Interest Rate, are provided by the issuing insurer and subject to the insurer's financial strength.

Guarantees provided by annuities are subject to the financial strength of the issuing insurance company. Annuities are not FDIC or NCUA/NCUSIF insured; are not obligations of and are not guaranteed or underwritten by any bank, savings and loan, or credit union or its affiliates; and are unrelated to and not a condition of the provision or term of any banking service or activity.

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