

What Are The Tax Advantages Of An Annuity?

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Introduction

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 affect on the growth of an investment.

Summary of input

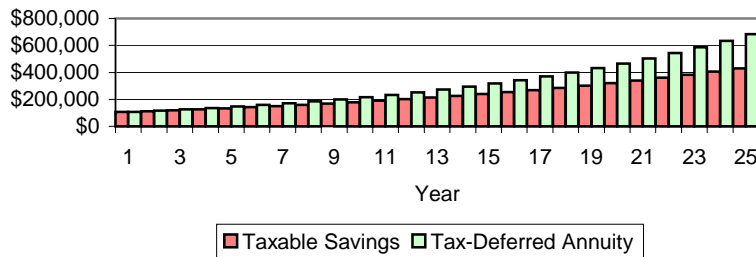
Initial Balance Or Deposit:	\$100,000	Before-Tax Return:	8.0%
Annual Savings Amount:	\$0	Tax Rate While Saving:	25.0%
Annual Savings Increase:	0.0%	Tax Rate At Withdrawal:	25.0%
Number Of Years To Save:	25		

Analysis

It appears that by saving in a tax-deferred annuity you would accumulate \$684,848 (resulting in \$(513,636 after taxes*) vs. \$429,187 in a taxable savings account.

*Surrender charges may also apply if cashing out early.

Taxable Savings vs. Annuity



Year	Savings	Beginning Balance	Interest	Taxes	Ending Balance	Beginning Balance	Interest	Annuity Ending Balance
1	\$0	\$100,000	\$8,000	\$2,000	\$106,000	\$100,000	\$8,000	\$108,000
3	0	112,360	8,989	2,247	119,102	116,640	9,331	125,971
5	0	126,248	10,100	2,525	133,823	136,049	10,884	146,933
7	0	141,852	11,348	2,837	150,363	158,687	12,695	171,382
9	0	159,385	12,751	3,188	168,948	185,093	14,807	199,900
11	0	179,085	14,327	3,582	189,830	215,892	17,271	233,164
13	0	201,220	16,098	4,024	213,293	251,817	20,145	271,962
15	0	226,090	18,087	4,522	239,656	293,719	23,498	317,217
17	0	254,035	20,323	5,081	269,277	342,594	27,408	370,002
19	0	285,434	22,835	5,709	302,560	399,602	31,968	431,570
25	0	404,893	32,391	8,098	429,187	634,118	50,729	684,848