

A NOTE TO THE READER



CD's, fixed annuities and fixed indexed annuities are 3 types of products that are often considered as conservative products for planning.

Westland Financial Services, Inc. does not offer accounting or legal advice. The following table (*one page*) is designed as a compiled reference list of general information known about how these products.

The information contained herein is NOT:

- A description of any specific product
- An offer to sell any product
- A recommendation to use, or not use, any these product types in your planning
- Tax advice
- Legal advice

We make NO claim as to the completeness of the information. You should seek other professional counsel as needed.

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This is a 2 page documents and is incomplete and invalid information without the cover page.

	CD's	Fixed Annuities	Fixed Indexed Annuities
Types of Issuers	Banks, etc.	Insurance Companies - Typically	
Guaranteed by:	FDIC	The Insurer	
Commitment:	Monthly up to multi year	Multi Year	
Interest Method	<ul style="list-style-type: none"> Declared Fixed Rate at beginning of contract 	<ul style="list-style-type: none"> Declared Fixed Rate at beginning of contract 	<ul style="list-style-type: none"> Declared Parameters at the beginning of a given period within a contract
Interest Determination	<ul style="list-style-type: none"> Interest that will be assigned is known at the beginning of the contract 	<ul style="list-style-type: none"> Interest that will be assigned is known at the beginning of the contract 	<ul style="list-style-type: none"> Interest is determined by the performance of a public index like the S&P 500* Interest is assigned at the end of a given contract period based on the performance of the public index** Worst case scenario is a negative performance of the public index which results in the assignment of no interest for the current period Contracts will always yield a positive minimum gain when held for the full commitment period should the public index yield be less that contract guarantees
Before the end of the commitment period:	Loss of interest and or penalty depending on product	<ul style="list-style-type: none"> Typically 10% free withdrawal of cash value per year with no penalty or interest as earned Amounts withdrawn in excess of free withdrawals are subject to a early withdrawal charge schedule Amounts withdrawn in excess of free withdrawals may also be subject to a Market Value Adjustment Many products allow for distributions without any early withdrawal charges in the event of several unexpected events such as; terminal illness diagnosis, long term care need, unemployment etc. 	
At the end of the commitment period	Funds distributed to owner	<ul style="list-style-type: none"> Funds distributed to owner (income tax due on deferred interest earned) OR Funds remain in annuity and all prior and new interest earned continues tax deferred OR Rolled over into another annuity (continues deferral of taxes) OR Partial withdraws can be taken in lumps or systematically (income tax due on deferred interest earned) OR Annuitized (annuity value converted into a guaranteed income stream – deferred interest is spread over income period) 	
Income Generating Riders	Not Applicable	<p>Income Generating Riders are designed to create an alternative lifetime income distribution method.</p> <p>During accumulation period:</p> <ul style="list-style-type: none"> Income only rider account is set at the initial dollar amount invested into the annuity as the starting value (may include bonus) Income only rider account value increases annually by guaranteed rate (e.g., 5% -8%) The "Rider Account" value is strictly for calculating the lifetime income stream offered by the Rider. No actual cash value. <p>Distribution period</p> <ul style="list-style-type: none"> Typically distribution percentage is set by age at time of first distribution. Maximum distribution amount is set by taking distribution percentage multiplied by higher of account value or income rider value. When the Rider is executed income distributed is debited from the annuity cash account. If annuity cash account drops to zero, income guaranteed by rider continues until death Riders are often charged a small yearly fee for the guarantees offered by the rider. Charge is made against the annuity not the Income only account Riders offer the flexibility of having income distribution without annuitization. Upon death, any annuity value remaining will be distributed to beneficiary(s) 	
Long-Term Care Direct Premium Payments	Not Applicable other than functioning as available assets for payment	The Pension Act of 2006 creates the ability of paying Long-Term Care premiums directly from annuity values without incurring tax on earned interest. There are special LTC annuities and some carriers offering immediate annuities that meet IRS guidelines	
Taxes	Applied in year interest is accrued	<ul style="list-style-type: none"> Interest accrues tax deferred Taxes applied when distributions are taken (exception provided by Pension Protection Act) Rollovers and 1035 Tax Fee Exchanges are not a distribution and continue deferral of income tax 	