

# The real rate of return.

Many investors turn to certificates of deposit (CDs) as a “safe” way to save for retirement. CDs can offer valuable benefits like short-term fixed interest rates, low risk and insurance from the Federal Deposit Insurance Corporation (FDIC). However, have you considered the impact taxes and inflation can have on the real rate of return on CDs? In today’s historically low rate environment, a CD’s fixed rate often doesn’t keep pace with inflation. This cuts into your purchasing power over time. There are annuity products that can help you participate in the growth of the stock market while allowing you to set a limit on your downside risk. These annuities are longer-term alternatives with important differences from CDs, but may offer a better chance to maintain your buying power over the years. Is it time to take a look at the real rate of return on your CDs?

Year	Annualized 6-Month CD Rate <sup>1</sup>	Married Filing Jointly - Tax Rate <sup>2</sup>	Consumer Price Index (CPI) <sup>3</sup>	Real Return
2000	6.59%	28.0%	3.4%	1.34%
2001	3.66%	27.5%	1.6%	1.05%
2002	1.81%	27.0%	2.4%	-1.08%
2003	1.17%	25.0%	1.9%	-1.02%
2004	1.74%	25.0%	3.3%	-2.00%
2005	3.73%	25.0%	3.4%	-0.60%
2006	5.24%	25.0%	2.5%	1.43%
2007	5.23%	25.0%	4.1%	-0.18%
2008	3.14%	25.0%	0.1%	2.26%
2009	0.87%	25.0%	2.7%	-2.05%
2010	0.44%	25.0%	1.5%	-1.17%
2011	0.42%	25.0%	3.0%	-2.69%
2012	0.44%	25.0%	1.7%	-1.37%
2013	0.27%	25.0%	1.5%	-1.30%
2014	0.15%	25.0%	1.6%	-1.49%
2015	0.16%	25.0%	0.1%	0.02%
2016	0.16%	25.0%	1.3%	-1.18%
2017	0.18%	25.0%	2.1%	-1.97%
2018	0.33%	22.0%	2.4%	-2.11%
2019	0.76%	22.0%	1.6%	-1.01%

Real return was negative in half of the last 20 years.

Talk to your financial advisor about the benefits, costs and limitations of annuities. Then, discuss your real rate of return and see if an annuity might deliver more.

<sup>1</sup>FDIC, Weekly National Rates and Rate Caps, January 6, 2020.

<sup>2</sup>Highest marginal federal income tax bracket based on \$100,000 income for a married couple filing jointly, Irs.gov, IRS provides tax inflation adjustments for tax year 2020, February 20, 2020.

<sup>3</sup>Federal Reserve Bank of Minneapolis, Consumer Price Index, 1913 -, 2019 and Bureau of Labor Statistics, Consumer Price Index Historical Tables for U.S. City Average, 2020.

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