

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 60 Month CD Rate ¹ | Married Filing Jointly Tax Rate ² | Consumer Price Index (CPI) ³ | Real Return |
|------|--|--|---|-------------|
| 1997 | 5.73% | 31.0% | 1.7% | 2.25% |
| 1998 | 5.44% | 28.0% | 1.6% | 2.32% |
| 1999 | 5.46% | 28.0% | 2.7% | 1.23% |
| 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% |

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

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

¹ Annualized average 60-month CD rate, www.federalreserve.gov, 2018, and Bankrate.com.

² Highest marginal federal income tax bracket based on \$100,000 income for a married couple filing jointly, www.irs.gov, 2019.

³ Based on Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, www.bls.gov, 2019.

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Annuities are long-term insurance products designed for retirement purposes. Many registered annuities offer four main features: (1) a selection of investment options, (2) tax-deferred earnings accumulation, (3) guaranteed lifetime payout options, and (4) death benefit options. Before investing, you should consider the annuity's investment objectives, risks, charges and expenses. The prospectus contains this and other information. Please read it carefully. To obtain a prospectus, contact your advisor, log onto membersproducts.com, or call 888.888.3940.

All guarantees are backed by the claims-paying ability of the issuer and do not extend to the performance of the underlying accounts which can fluctuate with changes in market conditions. Past performance is no guarantee of future results.

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There are distinct differences between annuities and certificates of deposit or other guaranteed fixed income instruments sold through a credit union or bank. Most certificates are considered short-term investments, while annuities are considered long-term investments. The investment in a certificate is insured by the federal government, either through the FDIC or NCUA. Any guarantees provided by an annuity are backed by an insurance company.

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