

RETIREMENT INCOME SERIES

The Annuity Comparison Guide

Fixed Index Annuities vs. CDs vs. Bonds vs. Traditional Annuities

Not all retirement income vehicles are created equal. Before you put your savings into a CD, bond, or annuity, you need the complete comparison — with real numbers, honest pros and cons, and clarity on which option fits your goals.

4

OPTIONS COMPARED

0%

FIA FLOOR RISK

100%

CLARITY YOU NEED

Table of Contents

- 01 Why Retirement Income Is Different**
The accumulation vs. distribution mindset shift

- 02 CDs: Safe, Simple, and Often Misunderstood**
When they work — and when they silently fall short

- 03 Bonds: The Traditional "Safe" Choice**
Interest rate risk, credit risk, and the 2022 wake-up call

- 04 Traditional Fixed Annuities: Guaranteed Income Explained**
SPIAs, DIAs, and when guaranteed income is the answer

- 05 Fixed Index Annuities: The Hybrid Approach**
Protection + growth potential — how FIAs actually work

- 06 The Side-by-Side Comparison & Which Fits You**
A decision framework for your specific situation

Why Retirement Income Is Different

For 30–40 years, you accumulated wealth. You added money. You could afford to wait out market downturns. A bad year meant you bought more shares at a lower price.

Retirement flips everything. Now you're *withdrawing* — and a bad year early in retirement is devastating in a way it never was during accumulation. This is called **sequence-of-returns risk**, and it changes which financial tools are appropriate.

ACCUMULATION PHASE

- Focus: growth
- Time horizon: long
- Down years: buying opportunity
- Market loss: temporary
- Risk tolerance: higher

DISTRIBUTION PHASE

- Focus: income stability
- Time horizon: fixed
- Down years: you're selling low
- Market loss: permanent if withdrawn
- Risk tolerance: should be lower

"A retiree who lost 38% in 2008 and was withdrawing \$4,000/month ran out of money 11 years sooner than one who had principal protection — even at identical average market returns."

— Sequence-of>Returns Risk Illustration, RIIA Research

This is why the question isn't "which product has the highest return?" It's "which combination of products gives me the income I need, with the protection I require, for as long as I live?" That's what the rest of this guide will help you answer.

Certificates of Deposit (CDs)

CDs are FDIC-insured bank instruments that pay a fixed rate for a fixed term. They're the most familiar "safe" option for retirees who remember earning 8% at the bank in the 1980s.

✓ PROS

- FDIC insured up to \$250K
- Simple and predictable
- No market exposure
- Short terms available (3–12 mo)

✗ CONS

- Interest is **fully taxable** as ordinary income
- Rates reset at maturity — no lock-in
- No upside beyond stated rate
- Reinvestment risk in falling rate environments
- Inflation can erode purchasing power

Bonds & Bond Funds

Bonds are long-regarded as the conservative leg of a retirement portfolio. 2022 reminded everyone they're not actually "safe" — the Bloomberg US Aggregate Bond Index fell over 13% that year.

✓ PROS

- Historically lower volatility than stocks
- Regular interest payments
- Muni bonds: tax-advantaged income
- Highly liquid if needed

✗ CONS

- **No principal protection** — prices fall when rates rise
- Credit risk with corporate bonds
- 2022: long-term bonds lost 25–30%
- No FDIC insurance
- Duration risk in rising rate periods

The core limitation of both: In a low-rate environment, neither CDs nor bonds can reliably generate inflation-beating income. And bond funds — often assumed to be "safe" — can lose significant principal when interest rates rise rapidly.

Traditional Fixed Annuities (SPIA/DIA)

A Single Premium Immediate Annuity (SPIA) converts a lump sum into guaranteed monthly income — for life. A Deferred Income Annuity (DIA) delays the income start date for a larger future payment.

✓ PROS

- Guaranteed income for life
- Eliminates longevity risk
- Partial exclusion ratio (tax efficiency)
- Simple predictability

✗ CONS

- Surrender of principal (usually)
- No upside participation
- Limited liquidity
- Rate environment dependent

Fixed Index Annuities (FIAs)

FIAs credit interest linked to an index (like the S&P 500) with a guaranteed floor of 0%. You participate in market growth — but you cannot lose principal due to market movement.

✓ PROS

- **0% floor — principal protected**
- Upside participation in good markets
- Tax-deferred growth
- Optional lifetime income rider
- Passes outside probate

✗ CONS

- Cap limits on upside (typically 8–15%/yr)
- Surrender charges if withdrawn early
- More complex than CDs
- Not FDIC insured (insurance co. backed)

How FIA interest crediting works: In a year the linked index gains 12%, a FIA with a 10% annual cap credits 10% to your account. In a year the index falls 25%, the FIA credits **0%** — you don't gain, but you don't lose. This "ratcheting" protects gains and builds a guaranteed base over time.

The Side-by-Side Comparison

FEATURE	CD	Bonds	SPIA	FIA ★
Principal Safety	✓ FDIC	✗ Market	~ Surrender	✓ 0% Floor
Growth Potential	Fixed only	Fixed only	None	Index-linked
Tax Treatment	Taxable now	Taxable now	Partial excl.	Tax-deferred
Lifetime Income	No	No	Yes ✓	With rider ✓
Liquidity	High	High	Low	10% free/yr
Best Suited For	Short-term savings	Diversification	Pension replacement	Protection + growth

No single product is right for everyone. The right choice depends on your income need, time horizon, tax situation, legacy goals, and how you feel about market exposure. The best retirement income plans typically use a combination of strategies — each covering a different risk.



Ready to Build Your Income Plan?

Understanding the options is step one. Building a retirement income plan that actually fits your life — your income needs, your risk tolerance, your tax picture, your timeline — takes a conversation. That's where we come in.

We work with a **wide portfolio of annuity carriers**, so we can objectively compare options across the market — and recommend the product that actually fits you, not the one with the highest commission.

- ✓ Free no-obligation income review
- ✓ Comparison across multiple top-rated carriers
- ✓ Licensed in 26 states — serving clients nationwide
- ✓ No pressure, no jargon, honest recommendations

 **Schedule Your Free Retirement Income Review**

calendly.com/rod-legacywealthservices/30min

legacy-wealth-services.bywillo.ai/life-insurance

This guide is for educational purposes only. It does not constitute investment, tax, or legal advice. Product features, rates, and caps vary by carrier and contract. Fixed index annuities are insurance products, not securities. Guarantees are backed by the financial strength of the issuing insurance company. © 2026 Legacy Wealth Services. All rights reserved.