The Value of Tax Deferral*

This chart illustrates the power of tax deferral to help you respond when a client asks, "Why is tax deferral a big deal? I have to pay taxes eventually."

If one defers the taxes for 10 years and then takes income as needed, one would be taking income from a greater amount — \$162,889 versus \$144,504.

Most people prefer to take income off of the extra \$18,000!

* This chart is based on a \$100,000 investment at 5% interest rate and a 25% tax bracket. The \$18,000 difference would be even greater if state income taxes, a higher tax bracket, or an upfront bonus on the annuity were considered.

\$170,000				
165,000			\$162,889	
160,000				
155,000			Over	
150,000			\$18,000 More!	
145,000	\$144,504	1		
140,000				
135,000				
130,000	\$100,000 invested		\$100,000 invested	
125,000	in a 10-year CD.		in an annuity for	
120,000			10 years.	
115,000	Earnings are taxed as they are earned.		Earnings are	
110,000	as they are carried.		tax-deferred	
105,000				_
100,000				