

Is it Time to Bank on Annuities?



If the past five years have taught us anything, it's that the things we once considered "guaranteed" can quickly become uncertain. The pandemic reminded us that even basic aspects of daily life, like children attending school in person could be disrupted. From a financial standpoint, government intervention stabilized the economy during the shutdown, but stability has remained fragile. We have seen banks, long considered safe havens for our money, face unexpected crises. While regulators and policymakers may have stepped in to prevent a collapse, the reality is clear that the faith in our financial system and our country's financial strength has taken a bit of a hit.

As interest rates climbed, consumers began to notice that their liquid savings were suddenly worth more. Yet, many of the largest banks in the country were slow to adjust, leaving customers stuck with little or no interest on checking accounts and significantly lower yields on CDs compared to smaller competitors. This created a migration of funds out of major banks and into high-yield online banks, local credit unions, or lesser-known institutions offering 1-2% more in return and into the fixed annuity marketplace where 5% guaranteed rates became commonplace.



Rising Rates Are Changing Where Savers Park Their Cash

As interest rates rose in the past year, the nominal interest on your liquid cash became relatively significant. The major banks in our country did not respond quickly enough, leaving many checking accounts with no interest, or interest rates on savings/CDs at 50% or more below that of their smaller peers. This brought about a shuffling of funds from some major banks to anywhere in the country. The dawn of online-only banks with high-yield savings or local credit unions paying 100 or more basis points than the bigger banks created a situation in which many people moved their money into banks that they had little knowledge of or exposure to before.



Bank Failures and the Renewed Search for Safety

This isn't the first time we've faced such concerns. During the 2008 financial crisis, insurance companies came under similar scrutiny as interest-rate volatility and lack of proper oversight shook confidence. Those of us in the industry remember clients asking tough but necessary questions: Will these companies still be here when I need them?

Stronger regulations since then have helped restore confidence, but the questions remain relevant today.

As we enter another period of financial stress, it's important to revisit the conversation around the financial strength of the companies we trust with our money.





CDs and Multi-Year Guaranteed Annuities Head-to-Head

Insurance and banking products vary wildly, but the closest relatives between the two financial institutions are certificates of deposits offered by banks and fixed deferred multi-year guaranteed annuities issued by insurance companies. Both have set terms in which you cannot access your full principal without penalties. Both generally pay above the market rate offered in a traditional savings account.

In most scenarios, there are two main upsides of a fixed annuity against a CD: annuities tend to have higher guaranteed rates for the same duration (As noted below). They grow tax-deferred, which allows for more flexibility from a tax standpoint and more net value to the consumer at the end of the deferral period. CDs, by contrast, generally have more flexibility during the deferral years and lower penalties for access.



Current CD vs. Fixed MYG Annuity Comparison

When it comes to stability and guarantees, certificates of deposit (CDs) and multi-year guaranteed annuities (MYGAs) are close relatives. Both lock in a fixed term and generally pay higher than traditional savings accounts. But there are key differences:

Higher Rates: MYGAs often offer higher guaranteed rates than CDs for the same term. Generally 0.50% to 1.00% higher than the CD marketplace in exchange for the lower level of liquidity.

Tax Deferral: Growth inside an annuity compounds tax-deferred, giving the consumer more net value at the end of the contract.

Liquidity Differences: CDs may offer more flexibility during the deferral years, with smaller penalties for early withdrawal.

The spread demonstrates why fixed annuities deserve a place in the conversation when clients are evaluating safe-money strategies.

> A-Rated Carriers With a Century of Financial Strength

The insurers LIFE Brokerage represent have a track record of endurance measured in generations with a particular focus on carriers rated “A” or higher by AM Best. Examples of longevity:

- **Lincoln Financial Group:** Founded 1905
- **Mass Mutual:** Founded 1851
- **Nationwide:** Founded 1926
- **North American:** Founded 1886

> How LIFE Brokerage Insurers Compare With America’s Largest Banks

Our A-rated carriers have the staying power and financial history of the big 4 banks.

- **Bank of America:** Founded in 1998, its origins trace back to 1956
- **Chase Bank:** Formed in 1799
- **Citigroup:** Formed in 1998 in its current form, although its roots date back to 1812
- **Wells Fargo:** Formed in 1852

> The Risk of Newer Banks and the Value of Proven Stability

Now contrast that with the two banks below that have come under recent struggles:

- **Signature Bank:** Formed in 2001
- **Silicon Valley Bank:** Formed in 1983

History doesn't guarantee safety, but it does speak to resilience. The fact that many of our carriers have been serving American families for more than a century is a powerful story to share with your clients. At LIFE Brokerage, our role is to educate clients and provide transparency. We shop the market, review carrier ratings, and present detailed financials so that consumers can make informed decisions. It's their plan, not ours, but our value lies in ensuring they understand the financial strength behind the companies that back the solutions we present. If you would like updated financial reports or the latest ratings for any of our carriers, please reach out. We're here to provide clarity, confidence, and perspective in a world where certainty is often hard to find.



> At LIFE Brokerage, we shop the market to ensure we show you all the features, financial strength, and ratings included. Consider putting it more in the conversation — our job is to educate the consumer, and it's their plan, not ours. Doing your due diligence and reviewing the financials of the insurance carriers presented is another point of value to bring up in your conversations.

Planning a financial future doesn't have to be complicated.

Whether optimizing existing policies, creating a steady retirement income, building generational wealth, or protecting assets with smart estate planning,
Our team is here to guide you.

Please let us know if we can assist with this, as we can provide you with detailed financial reports and current ratings from major agencies for any of the carriers we represent.

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