



FINANCIAL EDUCATION

CD vs. MYGA: A comparison

Choosing the right savings vehicle is about more than just numbers — it’s about aligning strategy with your financial goals. But how to choose between two trusted solutions that can meet your savings goals? In this CD vs. MYGA overview, we examine the solutions and explore potential pros and cons.

CD vs. MYGA: An overview

A **Certificate of Deposit (CD)** is a time deposit offered by banks or credit unions with a fixed interest rate over a specific period. It’s FDIC-insured (up to \$250,000 per depositor per institution), making it a popular low-risk savings vehicle.

A **Multi-Year Guaranteed Annuity (MYGA)** is a fixed annuity issued by an insurance company that guarantees a fixed interest rate for a set number of years. It is commonly used in retirement planning due to its tax-deferred growth and competitive yields.

	CD	MYGA
Issuer	Bank or credit union	Insurance company
Regulation/guarantees	FDIC-insured (up to \$250,000)	State regulated, back by insurer (not FDIC)
Principal protection	Yes	Yes
Interest rate	Fixed, usually lower than MYGAs	Fixed, generally higher than CDs
Term options	3 months to 5 years, typically	2 to 10 years, typically
Tax treatment	Taxed annually	Tax-deferred until withdrawn
Minimum investment	As low as \$500	\$10,000+
Early withdrawal penalty	Loss of interest	Surrender charges + possible 10% IRS penalty if under 59 ^{1/2}
Liquidity	Limited access without penalty	Limited, but some allow annual free withdrawals (e.g. 10%)
Income options	Lump sum payout only	Optional annuitization into income stream
Best audience	Short- to mid-term savers wanting principal safety	Long-term savers or retirees seeking fixed growth and income potential

CD vs. MYGA: Pros and cons

CD

Pros	Cons
✓ FDIC-insured (up to limits)	✗ Interest taxed annually
✓ Simple, predictable structure	✗ Early withdrawal penalty
✓ Low minimums	✗ Lower returns compared to MYGAs
✓ No insurance licensing required	

MYGA

Pros	Cons
✓ Higher fixed interest rates than CDs	✗ Not FDIC-insured
✓ Tax-deferred growth	✗ Higher minimum investment
✓ Optional lifetime income stream	✗ Surrender charges and tax penalties may apply
✓ Free partial withdrawals (typically 10% annually)	✗ Backed only by insurer's financial strength

Meet your financial goals with
Lockton Affinity WealthConnect

At Lockton Affinity WealthConnect, we’re here to help you explore guaranteed-rate insurance options for a portion of retirement savings with a Multi-Year Guaranteed Annuity (MYGA), a fixed rate annuity product.

Visit **LocktonAffinityWealthConnect.com/LA-Outdoor** or contact the Lockton Affinity WealthConnect team to learn more.

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A minimum initial premium of \$20,000 is required. Maximum issue age is 89 years and 364 days. This product is available only in approved states. Rates shown are subject to change without notice and may vary based on premium amount, state of residence and other factors. Contact our team for current rates and product availability in your area. Withdrawals may be subject to surrender charges, a market value adjustment (if applicable) and income taxes. Withdrawals before age 59½ may also be subject to an additional 10% federal tax unless an exception applies.

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