

Love the thrill of risk? Invest in an Annuity!

By Stephen Bucaro

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With the stock market in steep decline, people are looking for safe places to invest their savings. Many banks and investment companies are pushing annuities. Annuities offer a higher interest rate than CD's, but are they safe?

You could view an annuity as a tax deferred CD. You don't pay taxes on the interest until you start drawing from the annuity. But there are some important differences between an annuity and a CD.

An annuity is a product offered by an insurance company. With giant corporations like Enron, Kmart, Worldcom, and United Airlines going bankrupt, can you guarantee that the insurance company won't fold, leaving you with nothing? Insurance companies are insured by re-insurers, like General Re. But it seems no matter how large a company is, you can't be sure it won't fold. The bankruptcy of a large insurance company might cause the re-insurer to collapse along with it.

Bank CD's are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$100,000 per bank. The FDIC is a branch of the U.S. Government, who, as you know, are the people who print the money. If they go bankrupt, we'll have more to worry about than just losing our savings!

A new type of annuity called a charitable gift annuity has come on the market recently. These are issued by charity organizations. You give your money to the charity, you receive a tax benefit, and in exchange the charity promises you a fixed payment for life. Unfortunately, this scheme has become a mode of operation for con artists.

The charitable gift annuity has been added to top ten scam list of the North American Securities Administrators Association. They explain that charitable gift annuities are subject to virtually no federal regulation. Here in Arizona, 430 investors lost their savings in a ponzi scheme run by the Mid-America Foundation Inc.

Banks and investment companies hawking annuities promote the higher than CD interest rates, but they fail to reveal the hidden fees and high early withdrawal penalties. If you need to access your annuity before age 59½, you could be subject to a 10 percent penalty.

With the recent bankruptcies, and discovery that many giant corporations have been cooking their books for years, I feel it's best to play it safe. If you love the thrill of risk, or if you have already purchased an annuity, I wish you luck. As Will Rogers said, "I am not as concerned about the return ON my money as I am about the return OF my money".

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