

Are you really gaining when investing in a CD?

That's the question you may want to ask yourself before choosing a Certificate of Deposit (CD) as your sole investment strategy. Historically, CDs have been considered to be a fairly secure means of investing, mainly because they are insured (up to \$100,000) by the Federal Deposit Insurance Corporation (FDIC) and have fixed term periods, and fixed interest rates. However, many investors are discovering the affects that inflation, lower rollover rates and early withdrawal penalties can have on what was once considered to be virtually risk-free. Today, the process of planning for a lifetime of financial comfort calls for rethinking old strategies and working to find new investment opportunities, such as fixed annuities, to help with managing the risk of inflation.

The chart below illustrates how inflation and taxes have affected CD real rates of return over the past 11 years. In five of the last eleven years, CDs earned a negative rate of return when adjusted for upper tax rates and inflation. The CD rates shown below are calculated by using the six-month annualized average monthly CD rate. Please note that the illustration and rates presented here do not indicate the experience of every CD owner and past performance does not guarantee future results. You should consult with your financial advisor to determine what works best for you.

Year	CD Rate	Less Top Federal Tax Rate	Less Annual Rate of Inflation	Real Return of CD after Taxes and Inflation
1997	5.72	39.6	2.34	1.09
1998	5.44	39.6	1.55	1.71
1999	5.46	39.6	2.19	1.08
2000	6.58	39.6	3.38	0.57
2001	3.64	39.1	2.83	-0.60
2002	1.81	38.6	1.59	-0.47
2003	1.17	35.0	2.27	-1.48
2004	1.74	35.0	2.68	-1.51
2005	3.72	35.0	3.39	-0.94
2006	5.23	35.0	3.24	0.15
2007	5.23	35.0	2.85	0.53

Source: Internal Revenue Service; Bureau of Labor Statistics; mortgage-x.com

THE THINKING IS NEW. THE NAME IS OLD MUTUAL.

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