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# Fixed-income annuities are sporting attractive premiums

**Scott Burns**

Guess where you can get a better yield than a bank CD?

(Sorry, "almost anywhere" is not an acceptable answer.)

Old-fashioned fixed-income, tax-deferred annuities.

I learned this while looking through a recent monthly issue of the ***Fisher Annuity Index***, a monthly publication of Dallas-based Fisher Publishing Co. While the average annuity was barely competitive with a five-year Treasury note a few years ago, the average now sports an attractive premium. Better still, with a little research you can expand the premium from attractive to compelling.

Here are the numbers:

In February, when the average five-year bank CD was yielding about 4.4 percent and a five-year Treasury was yielding just under 5 percent, the average tax-deferred annuity was yielding 5.64 percent. Either way, it's a nice premium.

Nor is it a fluke. It's the average. About one-third of the 964 annuity contracts tracked by Fisher Publishing offered rates between 5.64 and 7.07 percent. Some offered still higher rates.

Curious, I put a recently arrived CD-ROM in my bag and went off to visit Danny Fisher. Dubbed "Mr. Annuity" over 10 years ago when I first became familiar with his database and associated statistics, Mr. Fisher started publishing his data as it became clear that he had the largest and most complete database on fixed annuity products in the country. (Morningstar has a corresponding position in variable annuity data.)

Agents and individual investors can buy a monthly print edition of his database for $25. (Call 1-800-833-1450). You can also get a copy of his monthly list of the top 10 picks for free, by writing to The Fisher Agency, 13140 Coit Road, Suite 102, Dallas, Texas 75240-5755.

Which brings me to the CD-ROM.

Launched in January, you can now buy a single copy of his data on CD-ROM for $50 and use it to search and screen through nearly 900 annuities. Grounded in a run-time license for Microsoft Access, the

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# Old-fashioned fixed-income annuities offer nice premiums

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program has a simple query language that allows you to do very specific searches.

I found, for instance, that 528 contracts offered yields greater than the 5.17 percent yield on a five-year Treasury note. Of those, 108 were CD-type annuities with very limited early-withdrawal penalties. And of those, only 28 had five-year terms and only 17 had a rating of "A" or better from A.M. Best & Co. The highest yield among those 17 was a Transamerica annuity with a yield of 6.6 percent on a minimum investment of $5,000.

Does 6.6 percent sound puny to you?

It's not. It's rare and worth the search.

To put it in perspective, only 26 of more than 1,400 mutual funds that invest in corporate or government securities offer an SEC yield of 6.6 percent or better. None are tax-deferred and most involve substantially greater risk.

"They're getting more aggressive," Mr. Fisher said when I asked what had caused the yield improvement. "This isn't creative genius. This is watching Sam Walton take a smaller spread on more dollars. We're seeing more companies follow a trend toward higher-quality, consumer-oriented annuities."

"There are some nice selections you can make if you watch what you are doing. There are five- to six-year rates out there that are 6 percent or higher, not over 7 percent, and the money is safe. There's also a lot of flexibility about when you take the money, when you pay the taxes, etc."

Could he give me an example of flexibility?

"Sure. Not long ago my mother wanted to do something with $11,000 she had in an IRA. We annuitized it over four years so she could make payments on a new car. The monthly check goes into her checking account automatically. And the monthly car payment is withdrawn automatically. That's flexibility. You can't do that with Treasury bonds or CDs."

The caveat here is that you shouldn't just go out and buy the annuity with the highest yield. Indeed, Mr. Fisher says that really high yields are usually flukey contracts with Draconian penalties for early withdrawal. Basically, they are designed for salesmen, not consumers.

His advice?

Look for – or ask for – a simple contract with a surrender penalty that isn't punitive.

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