

You have a variable annuity:
 1) Keep it or 3) Sell it and put net proceeds in your taxable account?

OPTION 1: KEEP YOUR VARIABLE ANNUITY ACCOUNT. PAY 22% AT FINAL WITHDRAWAL.

You put \$50,000 in a Variable Annuity. Current value is \$70,000. Gain = \$20,000.
 You earn market return (price + dividends) before costs = 7.1% real return
 Annuity and mutual fund/ETF cost/year = .4%, lowering your return to 6.7%
 You hold for 10 years and then pay **22%** tax on the increase in from initial investment

	Value Start of Yr	Price + Div	Value End of Year
1	70,000	4,690	74,690
2	74,690	5,004	79,694
3	79,694	5,340	85,034
4	85,034	5,697	90,731
5	90,731	6,079	96,810
6	96,810	6,486	103,296
7	103,296	6,921	110,217
8	110,217	7,385	117,602
9	117,602	7,879	125,481
10	125,481	8,407	133,888

		If tax is 12%	
Sales Proceeds	133,888	133,888	
Taxable Gain	83,888	83,888	
22% Tax on Gain	18,455	10,067	
Net Proceeds after sale	115,433	123,822	
Net to Heirs at death	115,433	123,822	
Tax has to be paid on the gain.			

**OPTION 2: SELL VARIABLE ANNUITY. KEEP NET PROCEEDS IN YOUR TAXABLE ACCOUNT.
 PAY ON-GOING 15% CAP GAINS RATE AND ON FINAL GAIN.**

You put \$50,000 in a Variable Annuity. Current value is \$70,000. Gain = \$20,000.
 You pay income tax on \$20,000 gain. You keep the net in a taxable account for 10 years.
 Market return is 7.1%. Expense ratio is .05%, lowering your return to 7.05%
 Dividend rate is 2%. You pay 15% tax on dividends lowering the value of your investment by the taxes paid.
 Your mutual fund does not pay Capital Gains distributions that would increase your tax bill: it's an index fund.

Proceeds from sale	70,000
Gain	20,000
Tax at 22%	4,400
Net in you taxable account	65,600

	Value Start of Yr	Price + Div	Value B4 taxes on Div	Div portion	Tax on Div	Value End of Year	Cost Basis Div Reinvested
1	65,600	4,625	70,225	1,312	197	70,028	66,912
2	70,028	4,937	74,965	1,401	210	74,755	68,313
3	74,755	5,270	80,025	1,495	224	79,801	69,808
4	79,801	5,626	85,427	1,596	239	85,187	71,404
5	85,187	6,006	91,193	1,704	256	90,938	73,107
6	90,938	6,411	97,349	1,819	273	97,076	74,926
7	97,076	6,844	103,920	1,942	291	103,628	76,868
8	103,628	7,306	110,934	2,073	311	110,623	78,940
9	110,623	7,799	118,422	2,212	332	118,090	81,153
10	118,090	8,325	126,416	2,362	354	126,062	83,515

Sales Proceeds	126,062
Taxable Gain	76,062
15% Tax on Gain	11,409
Net Proceeds after sale	114,652
Net to Heirs at death	126,062
No taxes due at your death. Their new cost basis is the value of your securities at death.	