

WHAT IS THE REAL RATE OF RETURN ON CDs?

In saving for retirement, you may be investing some of your “safe money” in a certificate of deposit (CD). CDs can offer:

- Low risk.
- Short-term fixed interest rates.
- Insurance by the Federal Deposit Insurance Corporation (FDIC).

However, have you considered the impact that taxes on interest and adjustments for inflation may have on your overall rate of return? Generally, the interest received in these types of vehicles may not keep pace with inflation. This could mean lower purchasing power for you over time. Also, at renewal, a new rate along with a new withdrawal penalty may apply.

In 19 of the past 30 years, CDs have had a negative return (after taking into account the impact of taxes and inflation), and in six of the positive years, they earned less than a 1% real rate of return.

Generally, CDs are part of the FDIC insurance amount of \$250,000 per depositor, per bank. The CD return rates on the right are calculated using the six-month annualized average monthly CD rate as reported by the Federal Reserve. The tax rate used in the example is the highest marginal federal income-tax rate based on \$100,000 of taxable income for a married couple filing jointly. The tax rate is not the experience of every investor, and a lower tax rate may have a more favorable impact on the real return. Past performance does not guarantee future results.

Year	Annualized Average Six-Month CD Rate ¹	Taxes ²	Inflation Consumer Price Index (CPI) ³	Real Return after Taxes and Inflation
1995	5.56%	31.0%	2.5%	1.34%
1996	5.08%	31.0%	3.3%	0.21%
1997	5.18%	31.0%	1.7%	1.87%
1998	4.83%	28.0%	1.6%	1.88%
1999	4.75%	28.0%	2.7%	0.72%
2000	5.90%	28.0%	3.4%	0.85%
2001	3.34%	27.5%	1.6%	0.82%
2002	1.68%	27.0%	2.4%	-1.17%
2003	1.05%	25.0%	1.9%	-1.11%
2004	1.58%	25.0%	3.3%	-2.12%
2005	3.39%	25.0%	3.4%	-0.86%
2006	4.81%	25.0%	2.5%	1.11%
2007	4.44%	25.0%	4.1%	-0.77%
2008	1.62%	25.0%	0.1%	1.12%
2009	0.28%	25.0%	2.7%	-2.49%
2010	0.20%	25.0%	1.5%	-1.35%
2011	0.10%	25.0%	3.0%	-2.93%
2012	0.13%	25.0%	1.7%	-1.60%
2013	0.09%	25.0%	1.5%	-1.43%
2014	0.06%	25.0%	0.8%	-0.76%
2015	0.16%	25.0%	0.7%	-0.58%
2016	0.45%	25.0%	2.1%	-1.76%
2017	1.05%	25.0%	2.1%	-1.31%
2018	2.09%	22.0%	1.9%	-0.27%
2019	2.05%	22.0%	2.3%	-0.70%
2020	0.36%	22.0%	1.4%	-1.12%
2021	0.06%	22.0%	7.0%	-6.95%
2022	2.44%	22.0%	6.5%	-4.60%
2023	5.07%	22.0%	3.4%	0.55%
2024	4.81%	22.0%	2.9%	0.85%

Please refer to the back page for source information and details.

Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company.

No bank guarantee • Not a deposit • May lose value
Not FDIC/NCUA insured • Not insured by any federal government agency

Here’s a quick way to determine your CD’s real rate of return.

Step 1	<div><div></div><div>%</div><div>(guaranteed interest rate)</div></div>	X	<div><div></div><div>%</div><div>(your federal tax bracket)</div></div>	=	<div><div></div><div>%</div><div>(percent taken in taxes)</div></div>
Step 2	<div><div></div><div>%</div><div>(guaranteed interest rate)</div></div>	—	<div><div></div><div>%</div><div>(percent taken in taxes)</div></div>	=	<div><div></div><div>%</div><div>(rate of return after tax)</div></div>
Step 3	<div><div></div><div>%</div><div>(rate of return after tax)</div></div>	—	<div><div></div><div>%</div><div>(current inflation rate)</div></div>	=	<div><div></div><div>%</div><div>(real rate of return)</div></div>

Talk with your financial professional today
about how to reach your long-term financial goals,
or visit our website at PacificLife.com.

¹Board of Governors of the Federal Reserve System. “H.15 Selected Interest Rates 01/01/1995-12/31/2024.” Data Download Program (6-month Treasury bill secondary market rate discount basis). Last accessed March 25, 2025.

²“Historical U.S. Federal Individual Income Tax Rates & Brackets, 1862-2021.” Tax Foundation. Last accessed March 25, 2025.; “IRS provides tax inflation adjustments for tax year 2024.” IRS. November 9, 2023.

³Inflation rates are based on the percent change from the previous December’s Consumer Price Index (CPI), a measure of change in consumer prices. Source: U.S. Department of Labor’s Bureau of Labor Statistics. “Historical Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, all items, by month.” Last accessed March 25, 2025.

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