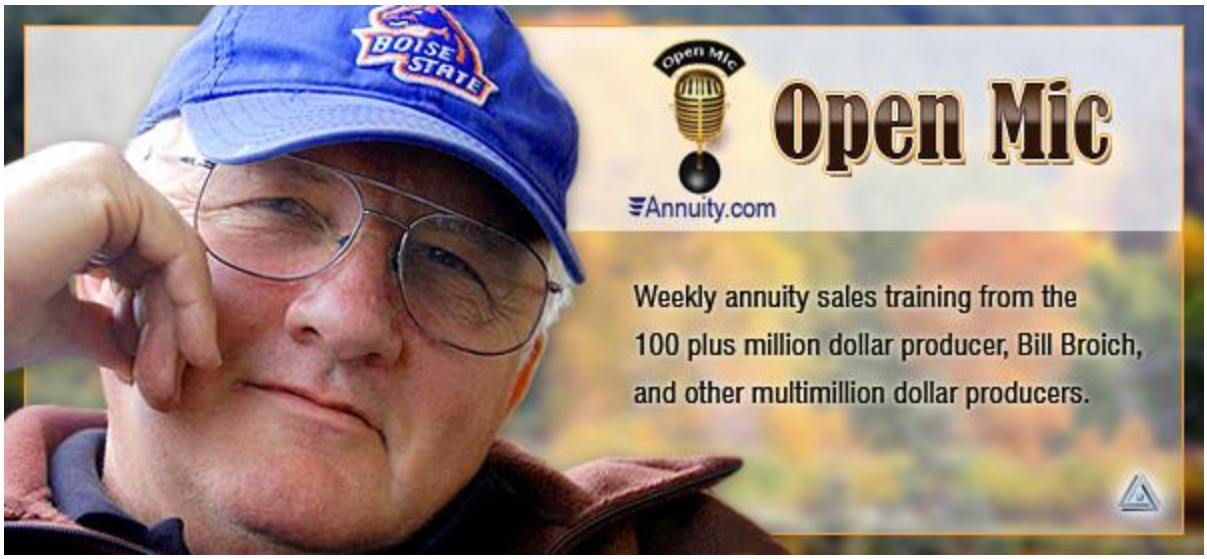

.....15 Years and still rolling.....

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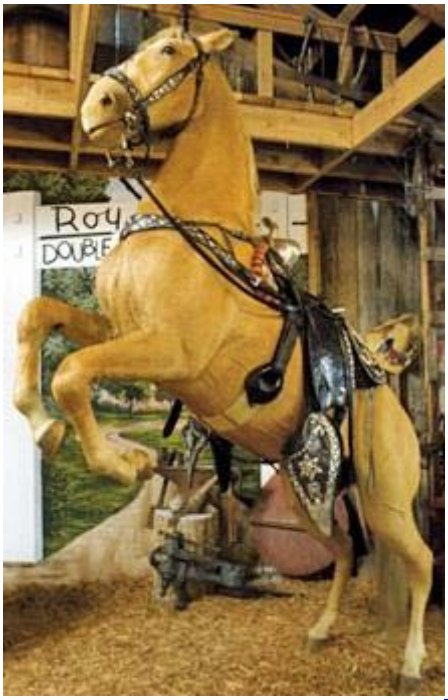
If we live our lives by always trying to do the right thing while attempting to balance suitability for our products and clients best interests with desired sales success, I say we are on solid ground.

Bill Broich

I was raised in the 1950's when **Roy Rogers and Dale Evans** were in their prime. The movies they made and the genre they displayed will forever be an important part of my childhood.



The Roy Rogers Museum closed last year and the collectibles were sold at auction. When Trigger died, Rogers had him stuffed and at auction, Trigger brought $266,000.

Trigger was bred on a farm co-owned by Bing Crosby. Roy bought Trigger on a time payment plan for $2,500. Roy and Trigger made 188 movies together.

188 movies: think of that!

5 billion

Projected amount of corn, in bushels, that will be used in U.S. ethanol production in 2011... about **40%** of the expected annual harvest.

. In May, the yield on US Treasuries, (10 year notes) fell 11 basis points to 2.94%.

Every year, Warren Buffett auctions off a steak lunch in New York City to benefit charity. And most years, this lunch raises more than $1 million. One day into the eBay auction, bidding has already reached $1.51 million. Last year, bidding hit $400,100 on the third day and reached a record $2.63 million. This year's auction closes June 10

Feels good to be a hero

Well, not really a hero, but at least an annuity agent with a very happy client.

One of my long term clients shared with me her annual statement from Great American.

Her returns were:

8.25% Annual point to point

8.5% Monthly averaging with cap

These returns plus the fact they overall account has increased with no exposure to risk has helped her secure her retirement funding.

The balance increased **$18,760** this year for a total value of **$240,975**. That amount is now the lowest her funds can ever go....talk about "feeling good"

Editorial

I have never really believed that the SEC would leave us alone. 151a was merely the first stone to be thrown in a war which will eventually go nuclear.

We are just too "good looking" for them and their membership wants their hands on us. EIA's are not securities but are insurance product, which is a statement which we will have to repeat daily for 50 years, nothing gets through their thick heads.

Why can't they get it through their thick skulls?

So instead of accepting defeat, the security guys are using a different approach.

I have no knowledge of collusion on this topic and this is only my opinion but it seems strange to me that the next move to control us begins at the state level. The State of Illinois is suggesting that EIAs are really securities and not insurance product.

In the notes today is an ongoing fight between the State of Illinois and a husband – wife team caught in the cross hairs.

The argument?

Selling EIAs instead of variable annuities.

I have no idea who is right or wrong on the specific case in Illinois but I do know one thing....I smell a rat.

The rat is an end run around the regulatory system of our products. These guys will do anything to get their grubby hands on our products and what better way to do so than to attack us

on the 50 state levels by picking on small individual agents to grow the case law about our products being securities.

We won the first battle but the war is far from over. I am fully convinced the issue is not public protection but pure and simple greed. The securities industry wants to control us, dismantle our distribution system and take over for their own selfish interests.

I say...let the next battle begin.

BB

PS....read the article in the Open MIC notes.

If you would like to add your editorial opinion on Open MIC.....**please submit your Open MIC OP-Ed** and I will add it to the editorial in full and intact without editing...but you must enclose your name.

Crew Share

Email me... (bbroich@msn.com) your sales success and experiences and share with the Crew....will always be anonymous.

A Few Comments From Emails This Week About Leads and Selling Experiences....Both Good and Bad

(From 6 emails)

- Bill: I do not want Retire Village to send your newsletter (the drip is what I want) to my database...how do I make the change? (on your admin page, you can Opt Out, check the box)
- The AE PDF fact page for the Retirement Gold was an old one and the product has been changed (yes we know, I screwed up)
- I said, the most important word for a salesperson is: "NEXT!" Get so many lead coming your way that any one disappointment is a 5 minute thing and you're on to the next. That's what marketing needs to do.
-

Hot News and Other Helpful Info

- **Pay to Play Death Sentence for Advisors:** **http://www.investmentnews.com/article/20110605/REG/306059971/-1/INIssueAlert01**
- **Sales Pitch article:** http://www.investmentnews.com/article/20110605/REG/306059984/-1/INIssueAlert01
- **Unusual IRA Options Article**: http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2011/06/06/investopedia52814.DTL
- **Prime America Article**: http://newssun.suntimes.com/business/5706469-420/malcolm-berko-broker-is-hip-deep-in-primerica-pitch.html

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The New York Times

ECONOMIC VIEW

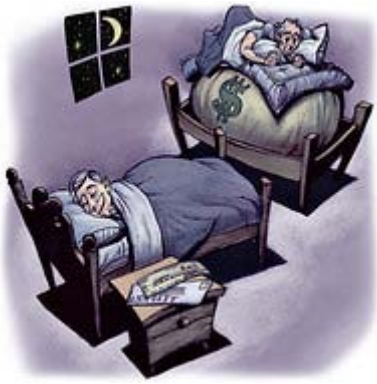
The Annuity Puzzle

By RICHARD H. THALER

Published: June 4, 2011

IMAGINE a set of 65-year-old identical twins who plan to retire this summer after long careers. We'll call them Dave and Ron. They have worked for different employers and have accumulated retirement benefits worth the same amount in dollars, but the benefits won't be paid out the same way.

Enlarge This Image



David G. Klein

Dave can count on a **traditional pension**, paying $4,000 a month for the rest of his life. Ron, on the other hand, will receive his benefits in a lump sum that he must manage himself. Ron has a lot of choices, but all have consequences. For example, he could put the money into a conservative bond portfolio and by spending the interest and drawing down the principal he could also spend $4,000 a month. If Ron does that, though, he can expect to run out of money sometime around the age of 85, which the actuarial tables tell him he has a 30 percent chance of reaching. Or he could draw down only $3,000 a month. He wouldn't have as much to live on each month, but his money should last until he reached 100.

Who is likely to be happier right now? Dave or Ron?

If this question seems a no-brainer, welcome to the club. Nearly everyone seems to prefer the certainty of Dave's pension to Ron's complex options.

But here's the rub: Although people like Dave who have them tend to love them, old-fashioned "defined benefit" pensions are a vanishing breed. On the other hand, people like Ron — with defined-contribution plans like 401 k — can transform their uncertainty into a guaranteed monthly income stream that mirrors the payouts of a traditional pension plan. They can do **so by buying an annuity** — but when offered the chance, nearly everyone declines.

Economists call this the **"annuity puzzle**." Using standard assumptions, economists have shown that buyers of annuities are assured more annual income for the rest of their lives, compared with people who self-manage

their portfolios. One reason is that those who buy annuities and die early end up subsidizing those who die later.

So, why don't more people buy annuities with their 401(k) dollars?

Here's one part of the answer: Some people think that buying an annuity is in some way a bad deal for their heirs. **But that need not be true**. First of all, a retiree can decide to set aside some portion of a retirement nest egg for bequests, either immediately or at a later date. Second, if a retiree chooses to manage his or her own money, the heirs may face the following possibilities: Either they get financially "lucky" and the parent dies young, leaving a bequest, or they are financially "unlucky," meaning that the parent lives a long life, and the heirs take on the burden of support. If you have aging parents, you might ask yourself how much you'd be willing to pay to insure that you will never have to figure out how to explain to your spouse, or whomever you may be living with, that your mother is moving in.

There are other explanations for the unpopularity of annuities, but I think two are especially important. The first is that buying one can be scary and complicated. Workers have become accustomed to having their employers narrow their set of choices to a manageable few, whether in their 401(k) plans or in their choice of health and life insurance providers. By contrast, **very few 401(k)'s offer a specific annuity option** that has been blessed by the company's human resources department. Shopping for an annuity with hundreds of thousands of dollars at stake can be daunting, even for an economist.

The second problem is more psychological. Rather than viewing an annuity as providing insurance in the event that one lives past 85 or 90, most people seem to consider buying an annuity as a *gamble*, in which one has to live a certain number of years just to break even. But, as the example of Dave and Ron shows, it's is the decision to self-manage your retirement wealth that is the risky one.

The most complex and unknowable part of that risk is in predicting how long you will live. Even if there are no medical advances in the coming

years, according to the Social Security Administration, a man turning 65 now has almost a 20 percent chance of living to 90, and a woman at this age has nearly a one-third chance. This means that a husband who retires when his wife is 65 ought to include in his plans a one-third chance that his wife will live for 25 more years. (A "joint and survivor" annuity that pays until both members of a couple die is the only way I know for those who are not wealthy to confidently solve this problem.)

An annuity can also help people with another important decision: when to retire.

It's hard to have any idea of how much money is enough to finance an appropriate lifestyle in retirement. But if a lump sum is translated into a monthly income, it's much easier to determine whether you have enough put away to afford to stop working. If you decide, for example, that you can get by on 70 percent of preretirement income, you can just keep working until you have accrued that level of benefits.

IN the absence of annuities, there is reason to worry that many workers are having trouble with this decision. Over the last 60 years, the Bureau of Labor Statistics reports that the average age at which Americans retire has trended downward by more than five years, from 66.9 to 61.6. Of course, there is nothing wrong with choosing to retire a bit earlier, but over the same period, live expectancy has risen by four years and will likely continue to climb, meaning that retirees have to fund at least an additional nine years of retirement. Those who manage their own retirement assets can only hope that they have saved enough.

Annuities may make some of these issues easier to solve, but few Americans actually choose to buy them. Whether the cause is a possibly rational fear of the viability of insurance companies, or misconceptions about whether annuities increase rather than decrease risk, the market hasn't figured out how to sell these products successfully. Might there be a role for government? Tune in next time for some thoughts on that question.

*Richard H. Thaler is a professor of economics and behavioral science at the **Booth School of Business at the University of Chicago**. He is also an academic adviser to the Allianz Global Investors Center for*

Behavioral Finance, a part of Allianz, which sells financial products including annuities. The company was not consulted for this column.

Hello Partners,

The income calculator for Lifetime Solutions is now available.

http://www.avivausa.com/portal/site/avivausa/content/information

Thanks,
Anthony R. Owen

Illinois securities cops revoke licenses of reps for annuity sales

-

By Darla Mercado
une 5, 2011 6:01 am ET

The Illinois Securities Department has revoked the registration of two investment adviser representatives for inappropriately liquidating clients' annuities to fund the purchase of fixed-indexed annuities.

Thomas N. Cooper and Susan B. Cooper were barred from selling securities in Illinois, as has their practice — Senior Financial Strategies Inc. — which is doing business as Pinnacle Investment Advisors. The husband-and-wife duo was also fined $10,000.

According to the order issued by Jesse White, secretary of state in Illinois, the transactions go back to 2006 when the Coopers recommended that a married couple transfer $46,000 from a Lincoln Benefit Life Co. variable annuity that was held in an individual retirement account to purchase a fixed-indexed annuity from Aviva USA. The Coopers had recommended that the clients retain $1,000 in the variable annuity in order to retain nearly $30,000 in death benefits, according to the order from Mr. White.

(I have taught this trick....BB)

The clients had left $**2,000 in the account but ended up losing $27,000 in death benefits due to the transfer**. Both clients complained to the department, spurring audits of the Coopers' practice in 2008, according to the order.

Regulators' investigation showed that between Feb. 26, 2008, and June 9, 2008, the Coopers sold 65 Aviva fixed-indexed annuities, garnering some **$426,281 in commissions**, the order said.

The secretary of state's office, which regulates the securities industry in Illinois, examined 12 cases involving clients of the Coopers who had liquidated annuities or IRAs to fund the purchase of fixed-indexed annuities from Aviva, the order stated. The two reps allegedly told the clients that by moving their money to an Aviva fixed-indexed annuity, they

would have access to six different crediting strategies, 4% guarantees on income for life and protection from Medicaid spend-downs.

The 12 investors, who were an average age of 73, racked up a total of $122,630 in surrender charges from the liquidation of annuities from Allianz Life Insurance Co. of North America, American Equity Investment Life Holding Co., EquiTrust Life Insurance Co. and Old Mutual Financial Network, according to the order.

In Illinois, as registered investment adviser reps and as investment advisers, the Coopers are held to a fiduciary standard.

Securities cops in the state said that the transactions were unsuitable and not in the clients' best interests, due to their age and the surrender penalties.

Although fixed-indexed annuities are insurance products, the Coopers' registration as investment adviser reps placed them squarely in the jurisdiction of the state's securities department, said David Finnigan, senior enforcement attorney for the Illinois Securities Department.

“This was more based on the fact that they are providing investment advice and are registered with the department,” he said. “We took action against them because they were registrants.”

Thomas Kelty, an attorney representing the Coopers, said that he had filed an appeal against the order and a motion to stay the enforcement action until the appeal has been concluded. It will take at least 90 days for the appeal to be concluded, he said.

Mr. Kelty argued that the state also had violated the insurance department's jurisdiction.

“For the securities department to summarily declare that an annuity insurance product is a security is a broad leap of faith and a leap of the law,” he said.

“This bold statement by the securities department is an attempt to override by fiat an established case law and reach a conclusion that's unsupported by the Illinois securities act,” Mr. Kelty said.

E-mail Darla Mercado at dmercado@investmentnews.com

From Investment News ... here is the link:

http://www.investmentnews.com/article/20110605/REG/306059995/-1/INIssueAlert01

More on this story

.....Anyone ever hear of 151a?....BB

Illinois Indexed Annuity Case Heads to Court

June 03, 2011

Contributing Editor, InsuranceNewsNet

June 3, 2011 -- An Illinois dispute over whether indexed annuities are securities is heading for court.

An attorney for two Illinois advisors said he filed in Illinois circuit court today for a stay of an administrative order that suggests the indexed annuities the advisors sold are securities.

The Illinois secretary of state issued the order on May 24. It includes an indirect "proclamation"calling indexed annuities securities, according to Thomas W. Kelty, the advisors' attorney. Kelty also filed an appeal in circuit court on June 1.

This "proclamation" appears in paragraph 40. It states that "each of the above referenced investment plans is an investment contract and therefore is a security as that term is defined pursuant to Section 2.1 of the Act."

"I think the Secretary of State was being cagey in the terminology and phraseology used in the Order," says Kelty, who practices out of his Kelty Law Office in Springfield.

"There is no basis in the record for addressing the question of whether an insurance product is a security. and there is nothing in the Order that shows how that conclusion was reached."

Furthermore, Kelty says, "there is nothing in the Department's Notice of Hearing in October 2009 about indexed annuities being a security."

(Vagueness is the agencies friend because they can make their decision and wait until legal action which may or may not happen…so they win for a time and maybe get a nice promotion for saving the poor seniors of Illinois….BB)

Vagueness

The vagueness of the May 24 order is among the grounds Kelty cites in his June 1 Complaint for Administrative Review. For instance, the complaint contends that:

- "The language of the statute under which the proceeding was conducted and the Order issued is vague and arbitrary and violates Plaintiff's rights to constitutional due process." [Section 2(iii)].
- "The findings and conclusion of law in the Order are not supported by the record below and the preponderance of evidence burden of proof." [Section 2(vi)].
- "The use of the term 'investment plans' in the Order is vague and undefined, including all other legal and actual infirmities contained therein." [Section 2(vii)].

In Illinois, the filing of a Complaint for Administrative Review triggers the appeal process. The Secretary of State Securities Department has 35 days to respond to the complaint. The Circuit Court for the Seventh Judicial Circuit in Illinois will rule on the appeal, based on its review of the transcript. The circuit court is the first level of state trial court in Illinois.

Kelty says he believes political motivations may have something to do with the order and the hearings that preceded it over the past three years.

He notes that the attorneys on the case are from the Illinois Securities Department. "I think the chief lawyer in the department is out to make a

name for himself, and they (the attorneys in the department) are hostile to the industry and frustrated that they can't regulate the indexed annuities."

The rulings

He also wonders at the **rationale for the rulings** in the order. He points to White's decision to ban the advisors — Susan B. Cooper and Thomas N. Cooper, and their firm, Senior Financial Strategies Inc., dba Pinnacle Investment Advisors — from offering or selling securities in Illinois.

The Coopers are insurance agents who are also registered as investment adviser representatives in Illinois, Kelty says. "**Their registration enables them to give fee-based advice on investments but they don't sell securities and never have. They are licensed to sell insurance and annuity products, and that's what they sell.**

"If you don't have a securities license — which these advisors don't — how could the Secretary of State conclude that these people should be barred from selling securities?"

The order documents 12 cases where the two advisors had liquidated an existing annuity to purchase an "EIA." It also details the surrender charges, bonuses and income rider options related to the transactions and faults the Coopers for misrepresenting various policy features and for transactions that were both unsuitable and not in the best interests of the clients,

The order not only bars the Coopers and their firm from offering or selling securities in Illinois but also revokes their investment adviser registrations and fines them, jointly and severally, $10,000.

And more

Illinois Ruling May Reopen Indexed Annuity, Securities Issue

May 31, 2011

Email Print Free Newsletter

By Linda Koco,
Contributing Editor, InsuranceNewsNet.com

May 31, 2011 -- The Illinois Secretary of State Jesse White hinted that indexed annuities are securities in an order he issued barring two advisors from selling securities in the state.

The ruling against the advisors came on May 24 followingmore than three years of investigation into alleged violations of Illinois Securities Law. The case involved transfers into indexed annuities from older annuities that were not yet out of their surrender periods.

This is a "huge story" for indexed annuity professionals, says Jack Marrion, president of Advantage Compendium, a St. Louis indexed annuity research firm.

Not only does Illinois Order 0800064 provide a "cautionary tale" about understanding and explaining policy features, he says, "but it also strongly intimates— without saying — that Illinois considers index annuities to be securities."

The hints concerning the latter come from the language used in the ruling, Marrion says.

The order documents 12 cases where the two advisors had liquidated an existing annuity to purchase an "EIA." It also details the surrender charges, bonuses and income rider options related to the transactions, followed by a

word-for-word definition of a "security" as stated in Section 2.1 of the Illinois Securities Law.

Then, the order states that "each of the above referenced investment plans is an investment contract and therefore is a security as that term is defined pursuant to Section 2.1 of the Act."

The order does not specify the "investment plans" to which that sentence is referring, and it does not include a definitions section that would make this clear, Marrion points out. "So, apparently, the order is saying that investment plans include index annuities."

He says he reached that conclusion after noting that indexed annuities are among the plans mentioned in the preceding sections of the order (sections 1 through 39).

"That's the important part of this ruling — that the Illinois State Securities Department, which operates under the Illinois Secretary of State, is trying to call index annuity products securities," Marrion says. This has happened even though the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 has stated that indexed annuities meeting certain conditions are not securities, he observes.

Case highlights

The advisors named in the order are Thomas N. Cooper and Susan B. Cooper, both of whom were named in a January 2011 *Money Magazine* article covering alleged abuses in sales of indexed annuities. The two are principals of Senior Financial Strategies, Inc., doing business as Pinnacle Investment Advisers, with offices in Bradley, Champaign, Normal and Peoria, Ill.

According to the order, the Illinois Secretary of State Securities Department began investigating the Coopers in 2008. The trigger was a complaint from clients who alleged the Coopers were negligent and had showed lack of oversight and breach of fiduciary duty.

The complainants maintained that they suffered a $27,092.43 loss in life insurance death benefits when the Coopers transferred funds from an existing variable annuity into an Aviva USA EIA (the order does not define

EIA but observers take it to mean a fixed indexed annuity, not a registered indexed annuity).

Both Coopers held investment adviser representative and insurance agent licenses in Illinois.

According to the order, the department launched an audit and investigation and said it found the Coopers had made 12 transactions with clients who purchased an EIA from the liquidation of another annuity or IRA previously sold to each of the 12 clients by the Coopers. The department also held hearings on the case in late 2010.

White's order faults the Coopers for misrepresenting various policy features. He ruled that "the transactions were both unsuitable and not in the best interests of the clients due to the clients' age as well as no derivation of additional tax benefits and the surrender penalties incurred due to the early liquidation of existing annuities and IRAs."

The order revokes the investment adviser registration of the Cooper's investment firm and of both Coopers. It prohibits them from offering or selling securities in Illinois and subjects them each to a fine of up to $10,000 per violation.

The Cooper's attorney, Tom Kelty, of the Kelty Law Office in Springfield, Ill., did not return calls for comment.

Here is the definition of a "security" as stated in Section 2.1 of the Illinois Securities Law:

Sec. 2.1. definition of security from the Illinois Security Law as stated in Illinois Secretary of State Securities Department Administrative ruling 0800064:

"Security" means any ***note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, investment fund share, face-amount certificate, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other***

mineral lease, right or royalty, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "Security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

"Security" does not mean a mineral investment contract or a mineral deferred delivery contract; provided, however, the Department shall have the authority to regulate these contracts as hereinafter provided.

(Did you see the word annuity in this regulations?....BB)

More: with a suggestion

Hello Partners,

See the article linked below and especially pay attention to the text, "The average age of the 12 clients involved in those transactions was 73, and those clients received **$107,350.97 in bonuses** and paid **$122,630.24 in surrender penalties**, according to the order."

http://www.lifeandhealthinsurancenews.com/News/2011/6/Pages/Illinois-Securities-Regulators-Treat-Indexed-Annuities-as-Securities.aspx?k=illinois

- **Your bonus dollars must always exceed surrender fees.**
- **You must always make sure you are not reducing a clients death benefit.**

Exceptions to the "Always": In cases that are borderline where the client is very motivated to get out of the VA or other product that has less benefits (i.e. An FIA without and income rider being surrendered to an FIA with an income rider) than what you are offering you need to get a letter from the client acknowledging what they are giving up.

For Example:

Mr. and Mrs. Jones own a $400,000 variable annuity. Their death benefit is $425,000 and there is no income rider. They have $500,000 in life insurance and another $500,000 in other variable liquid investments. The surrender fee is $37,000 which means that the premium that would transfer to the FIA you are recommending is $363,000. Your product has a 10% bonus and an income rider with an 8% roll up. After applying bonuses the FIA account value would be $399,300 as would the death benefit. In this case Mr. and Mrs. Jones account value would be $700 less than with the VA at the time of transfer and they would lose $25,700 in death benefit.

Your letter would read something like:

To _____ (name of FIA carrier and agent):

I, Mr. and Mrs. Jones, do hereby acknowledge and are fully aware that by purchasing the _____ (name of the FIA annuity contract) we will be losing $700 in account value and $25,700 in death benefit at the time the _____ (name of FIA annuity contract) is issues. It is our desire to forego these benefits in our _____ (name of VA annuity contract) so that we will receive income rider benefits under our contract with _____ (name of FIA annuity contract) as outlined in the _____ (name of the FIA annuity contract brochure and disclosure). Our primary concern is preservation of principle, guaranteed growth for the purpose of a lifetime of income. It is our assessment that the death benefit of the _____ (name of FIA contract), our life insurance, and our other assets is and will be adequate for us and our beneficiaries.

We have read the brochure mentioned and fully understand its contents. Based on the contract benefits mentioned in the _____ (name of FIA annuity contract brochure and disclosure) we have decided that it is in our best interest to purchase the _____ (name of FIA annuity) with funds surrendered from _____ (name of VA annuity contract).

Sincerely,

Name of clients

Signatures

Date

Thanks for the good biz! Always go above and beyond what is required to write good business.

Anthony R. Owen
Co-Founder, Annuity Agents Alliance

If we live our lives by always trying to do the right thing while attempting to balance suitability for our products and clients best interests with desired sales success, I say we are on solid ground.

Bill Broich

From Bloomberg

Nothing like a bunch of academics trying to figure out what is happening in the real world....BB

Here is the link for the whole story: http://www.bloomberg.com/news/2011-06-06/low-yields-on-treasury-debt-no-guarantee-financial-crisis-won-t-hit-u-s-.html?

Low Yields on U.S. Treasuries No Guarantee Against Fiscal Crisis

By Rich Miller - Jun 6, 2011 4:01 PM PT

The 10-year yield slid four basis points to 2.99 percent on June 3, near a six-month low, according to Bloomberg Bond Trader prices, after the Labor Department reported that job growth in May was less than a third of economists' forecasts and the jobless rate rose to 9.1 percent from 9 percent in April.

Treasury Secretary Timothy Geithner takes comfort from the government's ability to borrow at low interest rates as the budget deficit hits a record high. "There's a lot of confidence" in America's capacity to meet its commitments, he told Bloomberg Television.

"Bond investors are in the midst of a tug of war, with debt, deficit and therefore credit risk starting to flash yellow but pure interest-rate risk -- Is

the Fed likely to hike rates quickly? Is the economy hitting a soft patch? -- flashing green," said Mohamed El-Erian, chief executive officer of Pacific Investment Management Co., which runs the world's largest bond fund out of Newport Beach..

"Very often, interest rates are a coincident, rather than a leading, indicator" of trouble, said Reinhart, who is also a research associate at the National Bureau of Economic Research, the arbiter of U.S. business cycles.

From www.InsuranceNewsNet.com

a terrific source...and our favorite Heroine....

Sheryl Moore....read on....BB

Sheryl Moore
President and CEO, AnnuitySpecs.com
AnnuitySpecs.com

Biography: Sheryl J. Moore is president of Advantage Group Associates, Inc., AnnuitySpecs.com, and LifeSpecs.com. Collaboratively, these companies specialize in the indexed annuity market, as well as the rapidly expanding indexed life line of business. Ms. Moore provides competitive intelligence, market research, product development, consulting services and insight to select financial services companies. She is co-author of "The Encyclopedia to Index Products: Annuity and Life." Her research and articles have been featured in industry trade publications and resources such as Agent's Sales Journal, BankInsurance.com, Best's Review, BestWire, Broker World, The Des Moines Business Record, The Des Moines Register, Ignites, Insurance Broadcasting, Insurance News Net, Investment News, Life Insurance Selling, National Underwriter, The New York Times, Senior Market Advisor, and Wall Street Journal. She works closely with the media, as she proactively responds to, and corrects, every misleading or inaccurate article published on indexed products. Ms.

Moore works closely with regulators. Her research has been presented to the National Association of Insurance Commissioners Conference on several occasions, to aid in their understanding of indexed products and provide guidance on issues such as suitability and illustrations. He research has also been presented to Congress, to aid in industry efforts to ensure that indexed products continue to be regulated as fixed insurance, not securities. She has a degree in Political Science from Grand View University, and holds numerous designations in the field of insurance services. Neither Sheryl J. Moore, nor Advantage Group Associates, Inc. sell or endorse any financial services products.

Top 10 Indexed Annuity Misconceptions

June 07, 2011

By Sheryl Moore
AnnuityNews

June 7, 2011 -- Negative and inaccurate publicity on indexed annuities seems to overshadow the product's value at times. It is frustrating to see how hard it is for consumers to find accurate and reliable information on these products. I have spent the past four years personally responding to, and correcting, every published piece of misinformation on indexed insurance products. For these reasons, I thought it appropriate to list the "Top 10 Indexed Annuity Misconceptions."

10. All indexed annuities have high surrender charges: Actually, more than **75 percent** of indexed annuities sold had a 10-year surrender charge or less as of the first quarter of this year. Although there is an indexed annuity with 16-year surrender charge, no one seems to mention that there are also indexed annuities with surrender charges as short as three years.

9. All indexed annuities have big bonuses: Not so. In fact, about four out of 10 indexed annuities have no premium bonus at all. Admittedly, most of the advertisements that we see on indexed annuities are for big bonus products. But what is more enticing than seeing how you can "Earn 10 percent while your client gets a 25 percent bonus"? It's a great teaser, but can it close the sale? In truth, more than 75 percent of indexed annuities have less than a double-digit bonus; and as of the first quarter, more than 30 percent of all indexed annuities sold had only a 5 percent premium bonus on them.

8. All indexed annuities have high commissions: In reality, the average street level commission received by the agent selling an indexed annuity as of the first quarter was **6.65 percent of premium**. There is a company that pays a commission as high **as 12 percent** on their product, but keep in mind that there are indexed annuities paying commissions as **low as 2 percent as well**. One must take into context that indexed annuity commissions are even lower for older-aged purchasers and that this commission is paid one time (at point-of-sale), in exchange for servicing the contract for the entire term. So, keep that in consideration the next time some advisor points out how "high" indexed annuity commissions are, as compared to the measly 1.5 percent commission that he is paid on the mutual funds he sells (never mind that his commission is paid every single year the fund is in force!).

7. Indexed annuities are illiquid: False. Only five of the 260 indexed annuities available today offer less than 10 percent penalty-free withdrawals annually (and sales of these five products are nominal). Every other product offers 10 percent withdrawals of the annuity's value, penalty-free and some indexed annuities allow as much as 50 percent to be withdrawn in a single year! More than one third of products available today allow penalty-free withdrawals as early as the first year, in fact. In addition, 94 percent of indexed annuities available today have some sort of surrender charge waiver, allowing the client access to their funds without penalty, such as in the event of nursing home confinement, disability, terminal illness and even unemployment. Compounding these attractive options is the fact that every indexed annuity available today pays *at least* the full account value on death. That is pretty darn liquid for a retirement income product, if you ask me!

6. Indexed annuities have countless consumer complaints: This **misconception** stems from a statement that was frequently made by a securities regulator back in 2005. "Thirty-four percent of all cases of senior exploitation involve variable or equity-index annuities," he said. In an independent review of closed consumer complaints from the National Association of Insurance Commissioner's (NAIC's) database, I found that all 41 insurers in the indexed annuity market had a total of 79 complaints for 2011 (an average of just under two complaints each). Complaints ranged from zero to 30 with any single carrier. Now certainly, we do strive for 100 percent customer satisfaction in the insurance market, but I would hardly call two complaints per year "countless."

5. Indexed annuities cause lawsuits: A review of 44 class action lawsuits in the insurance industry from 2002-2010 revealed some interesting data on this issue. The average policyholder benefit for being "harmed" was a receipt of the premiums paid accumulated at 4.15 percent interest. Insurance company payouts, on the other hand, were as high as $22 million for these class action settlements. But it was the lawyers who made out like bandits in the end. The average lawyer's benefit in these class actions was $6.4 million. I am certainly no expert on this matter, but the data seems to correlate well to lawyers causing lawsuits rather than any insurance product.

4. Indexed annuities are inferior due to their exclusion of dividends in their calculations: Actually, the insurance company never receives the benefit of dividends on the index with an indexed annuity because the client is **never directly invested in the index**. The insurance company invests the indexed annuity purchaser's premium payment in the general account, which protects them from declines in the index. The premiums are never invested in a pass-through account, which would provide the benefit of the dividends, but it would also expose the purchaser to risk, should the market decline. For this reason, the dividends cannot be passed-on to the purchaser and are never included on the calculation of any indexed annuity. By not directly investing in the index (which would pass-on the dividends), the insurance company is protecting the purchaser from losses. So, by trading the opportunity to receive dividends, the indexed annuity purchaser doesn't risk losing their money as a result of market volatility. Not too bad, if you ask me.

3. Indexed annuity rates are unattractive: All rates are paltry right now. **Certificate of deposit (CD) rates are averaging a mere 0.90 percent** today. Fixed annuities aren't much better at an **average 3.41 percent first-year rate**, declining to 2.41 percent thereafter. And yes, the average annual point-to-point cap today is only 4.11 percent. However, that is still much more attractive than sticking the money under the mattress or other purchasing alternative retirement vehicles that don't offer tax deferral. Given the choice, I'd still take a short-term indexed annuity, thank you.

[2]. Indexed annuities don't perform: **WRONG!** For more than a decade, I have been collecting actual indexed annuity policyholder's annual statements (redacted) from insurance agents. Today, I have tons of statements, representing numerous companies and products. Some of *my own* indexed annuities have statements showing gains as low as 0% in a single year. However, I also have examples of other people's indexed annuities that have received gains as high as 47.65 percent on indexed strategies over a one-year period. Amazing, huh? Now, is this how indexed annuities are intended to perform? **No.** However, sometimes you cannot predict "home runs."

1. Indexed annuities are complex: When you get past all of the misinformation and hype, **indexed annuities are just fixed annuities with a different way of crediting interest. It's that simple.**

Sheryl Moore is President and CEO of AnnuitySpecs.com, an indexed product resource in Des Moines. She has over a decade of experience working with indexed products, and provides competitive intelligence, market research, product development, consulting services and insight to select financial services companies. She may be reached at sheryl.moore@annuityspecs.com.

Email Sheryl and thank her for standing up for our products……BB

I had two calls this week about the follow-up article about 401 k……I made the important notes in red…..BB

This past week's Retire Village drip was regarding 401 (k)….here is an article form the Wall Street Journal that expands on it….BB

Your 401(k): Leave It or Roll It?

(401 k will roll to a self directed IRA without tax issues....BB)

By ANDREA COOMBES

You thought the hardest part about saving for retirement was figuring out the best place to invest your money? Here's another head-scratcher: what to do with your 401(k) when you leave your job.

Generally, you can leave the money with your ex-employer, move it to your new employer's plan (if that company allows it), roll it to an individual retirement account or cash out. Each choice comes with potentially negative consequences for your savings.

(Many plans allow for free withdrawal and rollover to an IRA at earlier ages...BB)

If you have $5,000 or more in the plan, your former employer must let you leave it there until you turn 65, says David Wray, president of the Profit Sharing/401(k) Council of America, a group that represents employers who offer retirement plans.

If you have between $1,000 and $5,000, and don't choose one of the above options, the company is allowed to roll the money into an IRA it opens for you. If you have less than $1,000, the employer can cash it out and mail you a check.

Plenty of people leave their money in a former employer's plan. Mr. Wray estimates, based on U.S. Labor Department data, that about 15 million accounts owned by ex-employees are stashed in employer plans (including multiple accounts owned by one person).

Whatever you do, try to avoid cashing out. Say you've got $50,000 in your 401(k) and pay a federal income tax rate of 25% and state rate of 7%. Those taxes plus the 10% penalty for early withdrawal will leave you with just $29,000. (The 10% penalty doesn't apply if you leave your job and cash out your 401(k) plan at age 55 or older, according to Fidelity Investments.)

Before you make a decision, consider your personality, says Scott Holsopple, president of Smart401k, which offers portfolio-management services. A do-it-yourself investor may prefer an IRA, with access to more investment options, he says.

But if you're unlikely to do the work of finding low-cost investments, you may benefit from keeping the money in a 401(k), depending on the size of the plan. Large employers' plans often include low-cost investment options because they can negotiate lower expenses—you're getting institutional rather than retail prices.

New regulations should bring better fee disclosures for 401(k) investors next year. For now, to compare costs of an IRA and 401(k), focus on investment expenses. That's the best proxy for total 401(k) costs, says Robyn Credico, defined contribution practice leader at consulting firm Towers Watson. "Ninety-five percent of your expense is your investment expenses, so you can come pretty close just by looking at that."

Compare services, too. "For a lot of 401(k) plans that I serve, I do one-on-one consulting and education with the participants," says Michael Chisnell Jr., director of retirement services at Sequoia Financial Group, a money-management and 401(k) advisory firm in Akron, Ohio. If your former employer doesn't offer much help, it might make sense to move your money to an IRA.

Another advantage of rolling the money into an IRA is that combining your funds in a single account makes managing a diversified portfolio easier, says Ryan Alfred, president of 401(k) rating company Brightscope.

If you choose to roll your money into an IRA or new 401(k), ask for a trustee-to-trustee transfer, where the custodian of your old account pays the money directly to the new plan's custodian.

If a check does come to you, you need to get the money into the new plan **within 60 days** or it may be considered an early withdrawal—and taxes and penalties may apply. The hitch, even if you deposit that check by the deadline: Since the money went to you first, your former employer must withhold 20% of the account balance for tax purposes.

That means you must come up with that 20% for the new account yourself or the amount is considered a distribution. (You'll get credit for the 20% withheld when you file your income taxes.)

If you're near retirement, your ability to start distributions becomes a key metric in your decision. If you don't need the money just yet, you might leave it in your old plan until you do, though some plans may force you out at age 65.

Along with access to more investment options, IRAs generally give you more freedom than a 401(k) to manage your money when you're ready to create an income stream from your account, **including buying an annuity** or setting up regular withdrawals.

Still, some 401(k)s help retirees create retirement income. A few offer systematic payments in an amount of your choosing. Plans with a managed-account option may extend those services to retirees in the form of help managing withdrawals, says Pamela Hess, director of retirement research at consulting firm Aon Hewitt. Plus, some plans offer annuity options.

If you plan to work past age 70 1/2, moving your 401(k) to a new employer, if allowed, could let you delay the distributions required of 401(k) and IRA owners at that age, according to Fidelity.

A person who is actively employed (and not the owner of the company) may be able to delay required minimum distributions until retirement.

Also, with a new employer's 401(k) plan, you can take out a loan if the plan has the option.

Write to Andrea Coombes at andrea.coombes@dowjones.com

Here is the link

http://online.wsj.com/article/SB10001424052702304066504576352121222756568.html?mod=googlenews_wsj

See the Other Side of the Table……

Chad taught us all last week about the Matrix….here it is in writting….BB

The Matrix

Imagine waking up from a pleasant colorful situation into a dull gray reality. That is what most clients feel like when the go from what their broker told them in the office, to being at home opening up their statement.

I went to a client's house yesterday and saw their statements. They had values back to May of 2009. This chart was on all 4 statements from 4 different companies. **Then they made calculations on their retirement value based on the growth in the past 2 years. That is deception! They did not include any info on the values in 2007 and 2008.**

(I recently found the same scenario, the statement projected the income value based on the past 2 years performance which was about 11%, the BD insinuated that the 11% should be used in calculating the future value for a retirement number…..BB)

We have a guaranteed colorful reality that your client will never have to wake up from. **It is called an Income Rider**.

The Virtual account

Most people focus way too much on the index value; I sell most of my clients the benefits of the Income riders.

To express the true value of the income account you need to ask the following to your client.

- With your current retirement accounts, what will the value be in 5 or 10 years and how much guaranteed income will you be able to get for both of your lifetimes?
- Can you or your money manager predict the next economic or natural disaster that will affect your retirement?
- Do you want to retire on a guaranteed lifetime income amount or take your chances on if the market is up or down when you retire?

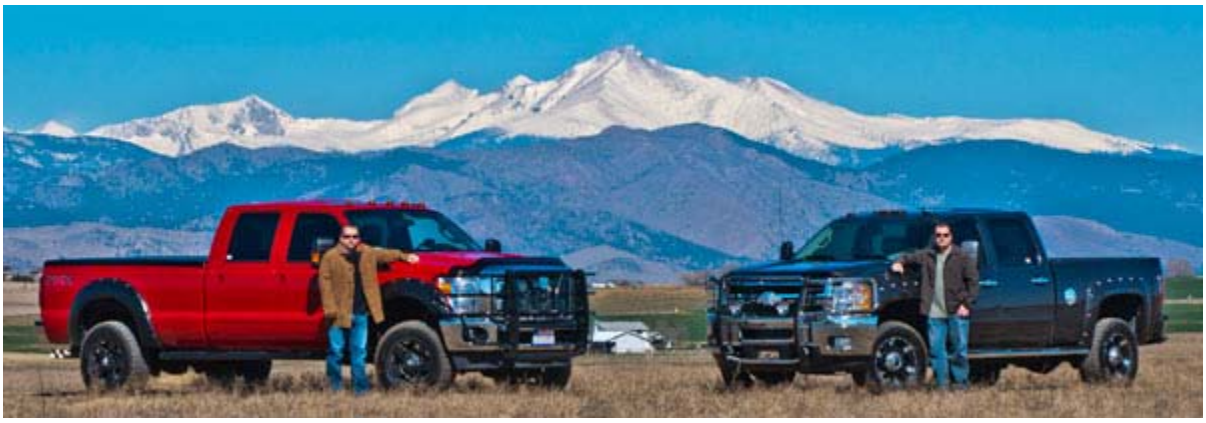
Is it real money? Yes and no

It is not a value you can walk away from at any time, but it is a value that is created to determine the amount you can draw out for income for the rest of your life. That is real!

I have heard brokers say that is not real money; my response is neither is any of their values, because the only time a broker's money is real is when the client can draw out the funds. It is a true paper value.

We have a product that protects the principal, growth, and a lifetime of income no matter what the stock market is doing.

I hope this was helpful and thanks for your partnership. Chad Owen



“Big Truck” Sales Tips

Chad and Tony Owen

A weekly annuity sales tip

Sales Tip this week is:

No more cute and cuddly, no more sugar plum fairies, no more tinker bell, and no more variable agent fairy tails. Save all that for Broker land... I mean Disney Land

A follow up question regarding hybrid annuities from last week...I left the piece up to answer questions....BB

Agent question: What you consider the term, "hybrid annuity," to mean?

What is a hybrid annuity?

(Investopedia)

An insurance contract that allows buyers to allocate funds to **both fixed and variable annuity components.**

Most hybrid annuities allow the investor to choose the amount of assets to allocate to the more conservative, fixed return investments, which offer a lower but guaranteed rate of return, and what amount to allocate toward more volatile variable annuity investments, which offer the potential for higher returns.

Here is another definition:

- With a hybrid annuity, you allocate part of your annuity's assets to providing fixed income payments and part to making **variable income** payments.

  For example, you could buy a hybrid immediate annuity with a lump sum of $50,000, and allocate $35,000 to fixed payments and $15,000 to variable payments.

  The fixed portion would lock in a specific yearly income, while income from the variable portion would depend on the performance of the underlying investments you selected.

  This approach allows you to combine the advantages of both types of annuities - regular income from the fixed and growth potential from the variable - in a single package.

As far as I am concerned just another way for the VA guys to try and hide behind us..... BB

The Other Side of the Table

.....it's all based on your view.....

Sometimes it is how you look at things that can make the difference. The other side of the table is all about that….how you look at things!

(This is a real case written about a month ago.....I used a product approved in California)....BB

John age 70 and retiring from his last job. Wife Bonny is also 70.

- **He had $350,000 saved in his retirement fund (401k)**
- **The have a home paid for, $40,000 in the bank and a brokerage account with $75,000 monthly in Muni's.**

- **The have joint SS of $2,100 a month, both are still healthy and active. The purpose for the 401k is income.**

The administrator of the 401 k holds a retirement meeting with soon to be retirees and pitches their annuity payout.

The administrator told them they could get **$1,944** for life 100% survivor, regardless how long they lived or if one died the other got the funds. (joint life with lifetime income rider) When they die, it dies but it will pay the income for life....no adjustment for Cost of Living issues. Fixed for life

Disclosure....a bonus of 10% on the indexed annuity is available which would have made the numbers much better, which I used in the actual sale in California. For this illustration I decided to use only 8%...for 2 reasons.

The company that provides this product is uncomfortable with anyone other than themselves talking about the benefits in writing and the amount of bonus will probably go down to a lower amount so I used 8%. At the now available 10% the numbers very terrific.

Tony has the software to make the projection on a fictitious situation and of course the insurance companies can do it for you on any of their products.....BB

I used an existing product, paid a bonus of **8%** which brought the beginning amount of the IRA (rolled over from a 401 k without any tax issues)

The beginning amount was $374,000.

John and Bonny started with a monthly withdrawal of **$2,000** a month (from their annuity) for 5 years which was larger than their payout form the income option on their 401 k. **($1,944)**

In 5 years they accessed the income rider in their IRA annuity.

Using the income rider in 5 years, they would be able to increase their income from **$2,000 a month** to an increase to **$24,826.09 annually** and using the assumption of a 3% return, the account value would still be over **$300,000.**

They have options:

- they can receive the income for lifetime
- quit and take the surrender value
- suspend the income and start later
- take out up to 10% of the free value withdrawal.....

Lifetime security with a lifetime of options.

Happy clients because of these wonderful products.....

Disclaimer:

I guess I should start adding a disclaimer, so here goes. I get information from many sources, print, internet, agent gossip and other media. I always try and provide the original source or the link but my note taking habitually is lacking.

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