



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

Open MIC is open for anyone.

9:00: AM Pacific Thursday 800 504-8071 Code is 5556463

IF YOU WOULD LIKE TO FIND OUT MORE ABOUT US

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It's Open MIC Time!

9:00: AM Pacific Thursday 800 504-8071 Code is 5556463#

Words of Wisdom

I am: two of the most powerful words, for what you put after them shape your reality.

Belle West

I am an annuity salesman....

Bill Broich

Today's Open MIC is different; I am speaking to you about the annuity industry and my vision of its future. Tony, Chad, Shaun, Dave and Joe will all return next week. I hope you find this topic compelling and significant to your careers.

BB

Editorial

I have been reluctant to write this editorial, mostly because it paints a very black and white picture of where we are and where our industry is heading. I have gathered information from multiple sources (including industry insiders) for my editorial and some of my expressed views are based on my personal annuity selling experience.

BB

What do you think is coming to our annuity industry?

Could it be new products?

Could it be a new way of selling?

Could it be that we as agents are no longer needed?

Ask yourself this: **Why are the big money boys bullying their way into our business?** Why are the private equity firms taking control of

annuity sales? Is it because they love our industry? Is it because they care about us? Our clients?

Not a chance! They only care about one thing: their bottom line and market share. Do you know how big the annuity industry is now? If you include those retiring from 401k plans and looking for safety and security, it is a whopping \$250,000,000 a year plus. (Billion)

That is each and every year until at least 2050.

That is serious cash and it has gotten the attention of large firms who have the funds and the ability to make a market move.

How can our industry change? How can annuities be sold in a different way? How can guys with big wallets change the relationship between annuity buyer and annuity seller?



Remember when these products were our lifestyle mainstay? What happened?



Just think about Apple. First the total domination of how we communicate with one another. Now they are starting to rewrite television. What is next? Who knows but you can believe that with their intellectual power and their massive bank account, it will be another social change.

How about the life insurance business? Remember when the insurance companies had their own sales force?

Now how is most life insurance sold? Directly to consumers via the Internet or agents using the Internet. It has evolved to a definable product with rates available and known to everyone. We now buy most products based on price and it is done almost anonymously through the Internet or via call centers in faraway places.

Are we naïve enough to think that this will not happen to the annuity business?

Insurance is bought, but annuities must be sold! Remember that saying? I do and I have taught it. But what if an annuity is made simple, cheaper and easier to understand? What happens then? As new products surface which fit that mold, what happens to us? Do we as agents simply fade away?

A couple of years ago Dave and I were having lunch with a senior vice president of a large annuity provider and he said to us: “If we could figure out how to sell annuities and bypass the agent, we would.”

A direct sale to the consumer and bypassing the agent is what all insurance companies want to do. Don't be naïve! If they didn't need us they wouldn't have us.

Consider this simple example.

- Annuity sales of \$1,000,000, marketing and acquisition costs of **10%**. What is the sales and marketing expense? \$100,000.
- Annuity sales of \$1,000,000, marketing and acquisition costs of **2%**. What is the sales and marketing expense? \$20,000.

Where does the extra **\$80,000** not spent go? In profits or in a lower cost annuity, competition will drive it and the consumer and the direct marketer will win. Who will lose? You will lose. Who will win? The consumer will

own a better product at cheaper expense and the direct marketer will increase its bottom line.

It is mass marketing.

How would they do it? Simple, first they design a very easy to understand basic annuity, but with add-ons. You buy the annuity and as you go through the process more features are offered. Just think of how you buy a book on Amazon, do they merely sell you the book? Yes but they offer other choices and show how others have enjoyed the book and similar books.

Commonly called an upsell.

The same is true with airlines; you book a flight and now you can buy a better seat, trip insurance, want to pay for your bags now? How about priority boarding, want to get on the plane first? On and on it goes...**The Upsell**

Can you guess who is aligning to sell direct to the consumer and making our role in insurance selling less important?

Wal-Mart, Amazon and dozens of other large companies. You can now buy insurance (and in some locations, real estate) from Wal-Mart in many stores. Remember the old brand K-Mart? Have you been in any “new” stores lately?

I know you haven't been in one because they have no new stores. But **K-Mart** is on fire, they are selling more products than ever. How? By selling products direct to the consumer and bypassing their own stores. By offering premiums to buy, such as free shipping. The day will come when K-Mart owns no stores, only virtual stores. Who will follow, my guess is a large move from Sears, Penney's and other old line companies needing to make the change to survive. Don't get me wrong, there will still be stores, but the emphasis and the best add ons will come via the Internet. The more you buy on line, the more benefits you receive, why? Because the overhead is much less and so many services offered can be outsourced.

How would you compete if the direct annuity seller offered an extra 2% as a today only sale? They can do it anytime they wish because it would be part of the original prospectus.

How could they do that? What about state insurance departments need to approve the policies? The direct marketers will not care. Why? Because they will not use any product that is regulated by a state department of insurance.

They will create a **hybrid variable annuity** product and deal with FINRA, a much easier management issue. Remember FINRA and their large annual operating deficit.

The product will be simple, easy to understand and easy to sell. Once that happens, the whole game will change.

Is it already happening? Yes, in a way. Fidelity is the largest seller of annuities on the Internet! They sell direct, but they sell other companies annuities. How easy would it be for them to create their own “basic” annuity for direct selling? You can bet they already have it, sitting in the wings ready to go.

This past week I had the pleasure of visiting with a national recognized consulting economist. His specialty is the financial services segments, globally. His clients are Who’s Who of the financial industry. During our evening we talked about selling direct and how that might be accomplished.

His statement to me was the: *“Selling direct to the consumer within the financial services industry is here now, selling annuities is also here now, it just isn’t yet obvious.”*

He went on to say the only hold up from being our new standard is how insurance companies will deal with the current spread on low yield US Treasuries and the derivatives to fund future promises, once that adjusts, the game is over.

Recently the **Federal Reserve** indicated that the monthly \$85 billion flowing into US Treasuries would begin to slow. Once that happens the stock market will be on its own and inflation could be rearing up. If my new friend is right and US Treasuries begin to increase in yield...is he right?, is the game up?

Bill Gross the brilliant head of **PIMCO** warned of this 2 days ago:

<http://www.advisorone.com/2013/06/05/pimcos-gross-warns-get-out-of-market-feds-qe-chemo>

Already steps have been put in place to execute the sale. Remember when **FINRA** announced the short version of the prospectus? You can bet the long version will be in the back of the annuity contract when it is mailed to the client. The short version will have a signing form that will be sent to the client.

Eventually the prospectus will only be available online and the client would simply need to download it or just read online.

KISS: Keep it simple stupid!

How about the Internet monster **Amazon?** Reportedly Amazon is a year into testing selling insurance directly to the consumer. What happens to the industry if that model gets green-lit by Bezos? How can anyone compete with that behemoth? Almost anything can be bought at Amazon, why not annuities?

So, what do we do? How do we compete with these coming changes? I think we have options and still can create our own annuity segment.

It lies in 3 parts:

Education: We need better and deeper education for agents. We need better continuing education, **class room hours**, not self-hours. It should be 32 hours of clock time per year just to maintain an insurance license. We need to push towards earning solid industry designations such as a CLU. We must offer the clients a higher grade of agent, a better informed agent. It has to be much harder to become licensed and to stay licensed as an agent. Because of the very low standards set for us by our insurance commissioners, I think each of us will need to be responsible for our own education, write a plan and stick to it.

Marketing Marketing Marketing: Every focus needs to be on marketing. More leads from dependable sources. An agent must set themselves apart as a local expert using techniques such as a radio show. If you are not on the radio you are making an error. Use the **Safe Money** book, use radio, and make yourself visible. You must get more from your marketing dollar, the old school of 1 sale per 10 leads will no longer work;

you must increase your margins. More sales must come from the lead flow, you must offer more. Become a blogger; outsource as much lead marketing as possible. You need a system to keep your leads warm. Use the power of the Internet, use the power of **Retire Village**.

Specialize: Find a niche and stay there, become an expert. Market yourself as an expert. Demonstrate your expertise. (My niche is prospects with \$200,000 or less in investible assets, it has always worked for me.)

Becoming as **“visible as possible”** is absolutely essential. If you don't focus on visibility then your career is moving to the “death throws” stage. You must be visible and you must be seen. If you do not have enough marketing money set aside, then get it. You must invest and you must invest wisely. If you do not have access to a sufficient marketing budget **then quit**. Why? Because you are already out of the business and don't even know it.

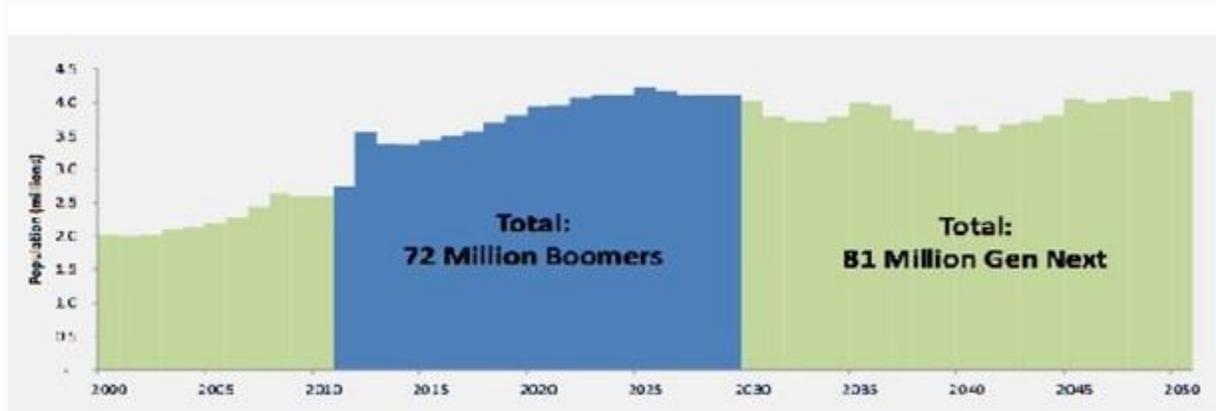
Do I seem too harsh? I hope so because what is going to happen is already happening.

The current Private Equity firms in our business are only the beginning. They are coming and they are coming with big and deep money. A good friend of mine who is an industry insider confided in me information about who is coming to our industry and what they intend to do; their move makes the current Private Equity players merely chump change.

Our landscape is changing so change with it. Invest in yourself, invest in marketing and invest in education.

LIMRA research below is worth studying.

The Number of People Reaching Age 65 By Year (2000-2050)



Million on left column, source is **LIMRA**

<http://www.lifehealthpro.com/2013/06/05/the-retirement-boom-is-here-to-stay>

The retirement boom is here to stay

So says LIMRA

By Michael K. Stanley
JUNE 5, 2013 • REPRINTS

There has been much said about the present opportunity for financial service firms and professionals to capitalize on the waves of boomers set to retire in the next few years.

A less-known fact that provides just as much potential for the industry was recently reported by LIMRA: The number of Americans reaching 65 years old each year will continue to grow **beyond** the **boomer generation**.

It was an accepted fallacy that after the last of the **boomers transition into retirement**, numbers retiring in subsequent generations will dwindle.

According to LIMRA that is not the case. Citing the U.S. Census Bureau, LIMRA reported that in 2013, 3.4 million are projected to reach age 65; in

2023, 4.1 million will reach 65 and 4.2 million will hit retirement age by 2050.

Generation X and Y (age 30-48) bring **78.4 million prospective customers to the door** of the industry while a group of 82 million 11-29 year-olds will follow in the next 35-55 years.

The enthusiasm the industry is showing regarding the flurry of potential planning opportunities with the boomer generation should not wane. It would behoove the industry to adapt marketing materials and to cultivate long-term, sustained relationships with members of younger generations.

LIMRA estimates that there will be \$22 trillion in investible assets from Americans 55 and older that can be put into retirement solution products — such as annuities — by 2020. Younger generations will be even keener on utilizing the financial services industry (due to the atrophy of defined benefit plans) and are likely to have even greater investible assets by the time they reach 55.

As LIMRA puts it, “The retirement boom is here to stay — the trick is whether the industry can help future retirees keep from going bust.”

A little more: If you want me to prove my point about the changing of our industry, just consider this.

Generation X:

Cellphone users	88%
Newspaper readers	7%
Source for news (internet)	91%
Value of social media	90%

Now think about the WWII generation (the greatest generation). The Baby Boomers. How is our society evolving? Where is it going? One easy answer -- make a call on a pay phone. There are only a few left.

The annuity industry is changing, not at light speed, but at warp speed.

Prepare yourself. BB

This is how private equity firms think, buy the market, sort it out and then make the best decision for themselves, all others beware.....BB

And....



<http://www.lifehealthpro.com/2013/05/30/direct-annuity-sales-are-coming-are-you-ready>

Stan Haithcock is a true visionary, I urge you to read him weekly at www.lifehealthpro.com

Stan The Annuity Man, a.k.a. **Stan Haithcock**, is a nationally recognized expert on annuities known for his transparency, honesty, and endless research.

Direct annuity sales are coming. Are you ready?

“Outside The Box” with Stan the Annuity Man

A long time ago, I was sitting in a meeting at Dean Witter (remember them?). Top management had flown in from New York to address the new low-cost stock trade companies that were causing a stir in the financial world.

I will never forget Mr. Intellectual VP telling us (we were called stock brokers back then) that the \$7-a-trade Schwab’s of the world and the low-cost upstart Vanguard were not a threat to our “master of the universe” status. He sincerely believed that we could continue to charge \$200 to \$400 per stock transaction. Really? I remember thinking at the time that he might be the dumbest person on the planet because his argument for the status quo was utterly ridiculous and without merit.

I think we can agree that this Dean Witter executive was a little off on his predictions. Multiple trillions of dollars later, the Schwab/E*TRADE model and the Vanguard/Fidelity low-cost solutions are here to stay and have permanently changed

the investing world. The reason that both of these business models continue to be wildly successful is because they provide low-cost, transparent and simple solutions that are customer friendly. It's really that simple, and a definite snapshot of our annuity future.

In 1943, then CEO of IBM Thomas Watson said the following: "I think there is a world market for maybe five computers." That stroke of genius was followed up in 1977 by Ken Olson (president, chairman and founder of Digital Equipment Corp.) saying "There is no reason anyone would want a computer in their home." Let's just hope their tombstones don't include these comical epiphanies.

"Can't happen"

Link is above.

Where do we go next? First understand the two processes.

Relationship Versus Transactional

What is the difference between selling direct and selling face to face?

- **Selling direct** creates a transactional relationship, how much is your cup of coffee? You have no relationship with the waitress, you only want the coffee. That same relationship in selling annuities as a transactional process would be similar. It is a single transaction.
- **Relationship selling** understands how a person feels about their situation and how immediate their call to action would be. Build relationships and make larger sales, build a client relationship. Transactions cannot accomplish relationships. The key to relationship selling is complete and thorough fact finding.

Selling direct will happen and it is happening...let's be prepared.

Let me blunt

- You must advertise: locally
- You must be on radio: **Safe Money Radio**
- You must buy leads from multiple sources: always ask for the lead company's privacy notice
- You must use a premium giveaway: **The Safe Money Book**
- You must use **Retire Village**
- You must have a **Facebook** account for your business; it must be linked to your Retire Village account. Use the auto connector to manage both.
- You must use the off week drip
- Cross market with **Annuity.com**
- You must use videos, use **YouTube** (annuitycom channel)
- You must be educated, create a plan
- You must be relationship focused
- You must sell via a fact finder
- You no longer can pitch product
- You must be specialized: niche market
- You must become marketing focused 24/7 365
- You must become a blogger: annuity.com
- You must have a dependable and renewable marketing money budget: 15% of gross commissions.
- You must communicate constantly with your clients and prospects.

The war is here, it is not on the horizon, it is here.



See how it works

<http://www.retirevillage.com/how-it-works>

Resources:

www.safemoneybookprinting.com

www.annuityagentsalliance.com

www.safemoneyradio.com

www.annuity.com

www.annuity.com/agenttools

YouTube (enter annuitycom in search)

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