.....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 is very hot in Texas.

Apple's quarterly earnings more than doubled to $7.31 billion, up from $3.25 billion last year. Revenue jumped 82% to $28.57 billion. And gross margins improved to 41.7% from 39.1% a year ago. Apple sold 20.3 million iPhones, compared with expectations for 17 million-18 million

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Sun Life Study

http://retirementreset.com/wp-content/uploads/2011/07/ResetKeyFindingsvFinal.pdf

This study is truly worth your time, it shows research into how poorly prepared our target market (Bab y Boomers) are for retirement. This information will help build the case that annuities are an essential part of their retirement planning. As an example, almost 60% of the study participants seek insurance backed products as a way of helping secure their retirement.

Study and learn.

Debt Ceiling article

http://money.cnn.com/2011/07/26/news/international/lagarde_debt_ceiling/index.htm?iid=HP_Highlight

This is important because your clients and prospects think it is important, stay informed.

Major Financial Firm Says Yes to Annuities

http://www.fa-mag.com/fa-news/7798-putnam-10-is-optimal-retirement-equity-allocation.html

This article is important because Putnam is a major player and a recent study suggests that those in retirement should have a lesser holding in equities. This will arm you with rebuttal information.

Immediate annuity article

http://finance.yahoo.com/focus-retirement/article/113162/immediate-annuities-retirement-portfolio-moneywatch?mod=fidelity-readytoretire&cat=fidelity_2010_getting_ready_to_retire

Immediate annuities can be "do it yourself" pensions so says the article. This allows for an agent to be of service without having to pay commissions from the deposited funds, which can be an advantage to competing with brokers. Solid article about annuities.

US Trust survey of the Affluent

http://www.ustrust.com/publish/ust_072210/USTSurvey/pdfs/Deck-Full.pdf

This is a deeply involved study about the affluent market place, but to me it had solid information because the **rich and we others** have one common theme, having enough money to live out retirement years. I urge you to read and study it, great material.

Wharton School in depth study about annuities

http://corporate.morningstar.com/ib/documents/UserGuides/UnSupermodelsFIA.pdf

Consider this your lucky day when **Wharton School** released this study, the summary? Annuities are a solid choice. Take a few hours and learn what I did, annuities are competitive products that have sensible returns without market exposure. It was written by PhDs but anyone can easily decipher the results with a little common sense and study.

Nirvana

Case Preparation

Ever wonder how Variable Annuities estimate their income centers. Here is Jackson Nationals chart as provided by **Jackson Life**

Jackson National Life

Income from Underwriting (UW), Spread-based (SB) and Fee-based (FB) products, As % of operating income†

Year	UW	SB	FB
2004	11	74	15
2005	15	64	21
2006	26	51	23
2007	25	43	32
2008	25	67	8
2009	18	44	38
2010*	18	45	37

†Pre-tax IFRS operating income.
*First half of the year.
Source: Jackson National Life.

IFRS stands **for International Finance Reporting Standards**

The interesting number to me is the percentage of income from Fee Based assets. I am not sure if those would be Income Riders and enhanced death benefits. But clearly fees are a major impact on their income planning.

Case Preparation

This is about being smart and using available resources to make a sale. Information is available and only the very meek would not be bold enough to reach out and grab the necessary materials.

This case was written 6 months ago by me.

Joe and Darlene are now 70, retired teachers living on pensions, social security and are about to tap into their 403 b (see last week's Open MIC) as an IRA rollover.

9 years ago when they retired from teaching, they rolled their 403 b info an IRA, the vehicle they chose was a variable annuity.

Pensions: $42,000 a year

Social security: $33,000 a year

They are in good health, have ample savings and are now facing RMD form their IRA.

The value of the IRA is now **$285,000**. The original deposit in 2002 was $255,000. It's high water mark was $415,000 and low point was $197,000.

What they were considering.

Their **Variable Annuity salesperson** wants them to rollover the VA into a new product with an income rider and reallocate their investments to conservative bond sub accounts.

The product is issued by a highly rated Insurance Company known for their variable annuities.

Side Bar: The very best way to learn all about an insurance company and their products is to simply Google the name of the VA and download the prospectus. If you can't find the prospectus just call the insurance company and have them email it to you.

Here is an example from Pacific Life.
http://www.annuities.pacificlife.com/public/prospectuses/pvo/pvo_prospectus.pdf

The variable annuity that was recommended:

- The VA is a **7 year surrender period**, after that time, the funds are available to move without surrender fees or charges.
- The Mortality and Expense fee (M&E) is **1%** of the annual account value.
- The administration fee is **.15%** of the annual account value.
- The suggested Income Rider was Lifetime Plus (Joint) with an annual fee of **1.50%** of account value.
- The funds would be invested into conservative bond sub accounts. The account was managed by a prestigious mutual fund account manager. The annual fee for the managing of this sub account was **.60%** of account value

Fees Summary

Contract (M&E)	**1.00%**
Administration fee	**.15%**
Income rider	**1.50%**
Investment fee	**.60%**
Total annual fee	**3.25%**

The income rider could be started any time after age 59 ½. It guaranteed 5% of beginning date funds (and would increase if account grew) income for as long as either lived. The funds were guaranteed for life.

Their beginning value would have produced joint income for life of ($285,000 times 5%) $14,250.

I suggested a different approach:

- **Use an indexed annuity with a no fee income rider and an upfront bonus of 7%.**
- **The $285,000 became a starting deposit of $304,950.**
- **The income rider was 5% and joint life was available.**

This explanation is not about an EIA, it is about being educated and knowing where to find important third party resources.

There are many options for income riders as well as bonus product, but you can easily see here the actual sale had nothing to do with what we offered. It had to do with understanding what the competition was offering.

By **downloading the prospectus**, we had all available information to offer in detail to the client exactly what was available and the fees associated with it.

If I have trouble finding a specific prospectus I do the simple thing, I call the service center at the insurance company and ask them to email me the prospectus which they very happily will do.

Using a third party resource as a sales aid can make all the difference in the world. There is no way the competitor can argue the fee structure in relationship to the benefits provided.

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