.....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

CALL OR EMAIL

ANTHONY OWEN

888-74AGENT (24368)

tony@annuityagentsalliance.com

OR VISIT OUR WEBSITE

Annuity | Agent's Alliance
Real Help From Real Agents.

Hiatus

The "Great" Kellen Moore

Open MIC is on Summer Vacation beginning after this Thursday 8-25-2011 until 9-15-2011

I wil be in Georgia to watch the **Broncos** play the University of Georgia **Bulldogs.**

Then a short trip.

Open MIC will return September 15th.

To all of you, we thank you for the business most sincerely.

Bill, Dave, Joe, Tony, Chad, Jared, Calvin and Andrew

Jonathan, our 9 year old grandson playing in his first football game. Defensive back, top one in backfield. At Boise State on the **"Blue"**

Interest rates are dropping….Why?

You will be asked this question by your clients and prospects. The answer is very complex but from a **simplistic point** here is the answer….

<u>Part One</u>

- The US Government needs money.
- They sell US Treasuries.
- US Treasuries are the safety possible place to put your money on this earth.
- Investors are afraid of the volatility of the market. Where should they park their money?

- US Treasuries.
- Demand for safety far outweighs the desire for yield.
- Too many people want US Treasuries, what does the government do? It issues them at the lowest possible yield to the investor because that is the cheapest possible cost to the government.
- It is classic "supply and demand" If everyone wants to buy yellow cars and you have lots of yellow cars, you can raise the price and increase your margins. If everyone wants complete safety for their money, they buy US Treasuries. If you are the government you take advantage and you make a better deal by lowering the yield which lowers the amount of interest you must pay. (US Treasuries are sold at discount and mature at face)
- The yield on 10 year Treasuries is hovering around 2% and weakening.

Part Two

- Why are annuities so safe?
- Insurance companies must be good shepherds of your client's annuity dollars so they must remove any possible chance of risk, insurance companies must by (along with other types of bonds) US Treasuries. The current yield on US Treasuries is mixed with the insurance company's general portfolio and the overall yield is lowered.
- Insurance companies have 2 masters 1. Their customers 2. Their stockholders.
- Insurance companies **WILL** maintain their margins which mean the fixed account side will drop and possible caps will weaken although I personally do not think so.
- To satisfy both can only mean on thing, the cost of acquisition of new customers must be reduced. (agent compensation)
- The fixed account will weaken. (on annuities)

What can we do as agents?

I am personally doing two things to increase and strengthen my annuity business.

1. I am increasing my marketing budget. Yes! I am going to spend more money to acquire more prospects. The more prospects the more chances of finding a client. Always do just the opposite of what other agents are doing. The worst possible thing that can happen to me is my client acquisition cost will increase....so BIG DEAL....if that is my downside then I have no real downside. Buy all the leads you can afford.....go for it!

2. MVA. (market value adjusted)

With the yields dropping on in force annuities, the great opportunity to re-sell existing annuities is at its ZENITH.

When overall interest rates increase, the MVA vale (the fairness law) decreases, then overall general interest rates decease, MVA increases(the amount paid to the annuity owner if surrendered or transferred)

I am going to go see every client of mine who has an MVA annuity. Here is an easy $300,000 sale made this week. Easy and it made super great SENSE.

Bill and Joan Smith

Husband and wife, retired teachers. The purpose of the annuities is long term income if needed, safety and security is the most important issue.

I sold this annuity to them when they were living in California (an MVA state) Here is the actual presentation I made to them, simple, easy and direct. I made two copies and handed a copy to each of them, then simply read it to them.

Their answer was to laugh and say **"Where do we sign?"**

I had all disclosers and company brochure to explain the income riders.

Joan Smith, Non-qualified

Your current Account Value is:		$89,281
Your current Surrender Value is:		$84,363
Your Market Value Adjusted Account is		$ 5,795
The total amount available to you if you transfer is:		$90,158
American Equity will add **5%**	($4,558)	$94,716

We can tie the crediting for the first year to fixed or movement in the S/P 500. Fixed is **2%.**

I recommend that this year you stay in fixed at **2%** which would be in addition to the **5%** bonus.

In one year your account would have a value of: **$96,600**

Income Rider

(Explained from brochure)

William Smith IRA

Your current Account Value is:		$202,371
Your current Surrender Value is:		$192,264
Your Market Value Adjusted Account is		$15,302
The total amount available to you if you transfer is:		$207,556
American Equity will add **5%**	($11,377)	$218,933

We can tie the crediting for the first year to fixed or movement in the S/P 500. Fixed is **2%.**

I recommend that this year you stay in fixed at **2%** which would be in addition to the **5%** bonus.

In one year your account would have a value of: **$223,311**

Income Rider

(explained from brochure)

Summary

Because of your unique position using the MVA you are able to safely and easily increase your account value, never place your funds at risk, by making this change.

Not including any interest crediting, the value of your account will increase by:

Beginning Joint Accumulated Value Be NVA and Bonus:	$291,589
Joint Accumulated Value after MVA and Bonus:	**$313,649**

Joan's account needs to transfer company to company, Bill's can be surrendered and redeposit into the new account. (IRA 60 day rule)

Neither of these transactions will generate a taxable event.

Annuity sales are increasing.

http://insurancenewsnet.com/article.aspx?id=273248

Sheryl Moore's Annuity Specs.

S/P head resigns.....Hmmmmm!

http://www.ft.com/intl/cms/s/0/a25b647c-cd12-11e0-88fe-00144feabdc0.html#axzz1Vo9LfhtM

Might provide some useful information for you.

Talk about getting caught.....look what happened to **AVIVA**, maybe a $10 million dollar goof up?

Anyone say FDIC?

http://www.leagle.com/xmlResult.aspx?xmldoc=In%20FCO%2020110816083.xml&docbase=CSLWAR3-2007-CURR

The issue is always safety, always. That is what our clients want and what we represent.

The Humble Annuity

Definition: meekness or modesty in behavior, attitude, or spirit; not arrogant or prideful. Sort of like be quiet but carry a big stick.
http://mainlinemedianews.com/articles/2011/08/17/main_line_suburban_life/life/doc4e4bc26600e13128080568.txt

Sometimes we forget what our products really stand for: safety and security.

Follow up question from last week.

Chad, how do you maintain this attitude with people who won't listen or don't agree, you sound like you are preaching? How do you handle an opposing view such as a recommended variable annuity?

Last week, our guest Chad Owen showed us how he motivates prospects to make decisions. He sent me his 7 points, here they are.

Last week's question: How are you handling the uncertainty of what the market is doing to people trying to make decisions about annuities?

I have done the same presentation for 5 years no matter if the market is up or down. It is based on 7 topics: I am very consistent and am not moved by market conditions.

1) **Safety**
   - No risk to the market
   - Strength of Insurance companies. (Over 350 banks have failed in the last 3 years. How many insurance companies have failed in the last century? It is not a common event.)

2) **Security**
   - No more watching and worrying about your retirement going backwards
   - Less stress, not having to watch the market all the time.
   - Peace of mind

3) **Guaranteed Income for life**
   - Guaranteed income growth
   - Income for you (and spouse) for the rest of your life.

4) **The Past**

- Has your retirement goals been met like your broker or 401k advisor told you it would?
- Has your money stayed flat for the last 10, 12 years.

5) The Yo-yo retirement

- I am not telling you to put your money in this product because the market is going down or is going to crash. I am not sure what the market will be doing in the next year, 2 years 5 years, 10 years. I do not one thing for sure, the market will go up and the market will go down. Do you want to base your retirement on the market or guarantees?
- Use the "Real Benefits of Indexed Annuities" from American Equity.

6) What other options are out there that can take care of all the topics we have talked about?

- As you are presenting your product ALWAYS use the company brochures and leave them with the client.

7) Confidence and Sincerity!!!!

- We have the best retirement protection product in the market today! Act like it!

Chad C. Owen
President, Eagle Shadow Financial, LLC
Co-Founder, Annuity Agent's Alliance
National Director, Annuity.com
Safe Money Radio, Host
Cell: 303-668-9324

Hello Bill,

I joined Annuity.com in January and it's been a great experience listening to you on open mic and having Retire Village.

I was hoping you could help me answer a question concerning taxation on an existing non-qualified annuity when it is inherited.

I'm working with a woman who purchased an annuity in 2006 using **$700,000.00** that came out of **non-IRA cd's**. Current value is **$828,000.00**. Can you tell me how this will be taxed when the children inherit?

Answer:

$828,000 value
$700,000 basis

$128,000 taxable event

The full amount can be taken over a period of time and the tax liability is spread over that time period.

Gain over deposit is taxed as ordinary income tax rates. The beneficiary may take the funds out over a payment period (5 years as an example) and the tax liability is spread out over the time period (exclusion ratio)

Case Preparation 1

Question to Annuity.com this week.

I decided to buy a variable annuity, the reason I decided to buy a variable annuity is because I wanted to accumulate as much money as possible for my heirs. I decided to use the variable annuities enhanced death benefit rider to maximize my eventual account value. What is your opinion?

Answer: I might be the wrong person to ask for a simple reason, I am not a fan of variable annuities. The reason is simple, I buy and own annuities for one basic reason,

they are safe. The competition would argue that variable annuities are also safe....if you die.

Variable annuities will return at death one of two values: 1. the full accumulated value if higher than the original deposit or 2. The amount of the original deposit should the accumulated value be lower due to market losses.

But now variable annuities have added "enhanced" death benefit riders to the basic variable annuity. These riders will guarantee and increase in death benefits paid to the beneficiary (in event of death of the annuitant). This would guarantee the eventual amount to be greater than the original deposit. Sounds great until you look at the fees being charged for the enhanced death benefit rider.

As an example: Let's assume the original deposit is $100,000. The enhanced death benefit is adding $5,000 additional per year to the account which would pay out as additional death benefit at some future date. Let's now move forward for 10 year and the enhanced death benefit is now $150,000 ($100,000 original deposit plus $50,000 enhanced benefit)

Assume the annuitant dies in exactly 10 years. The variable annuity will pay either the accumulated account value or the "enhanced" death benefit. If the account value is greater than the enhanced death benefit it is paid, so again let's say the account value is exactly $150,000. The beneficiary is paid 100% with the annuitant's own money which had accumulated within the variable annuity. Cost to the company is ZERO.

How much did the actual "enhanced" death benefit rider cost? It depends, but a very well-known West Coast variable annuity provider which I spoke to directly said their costs average .75% (of account value).

%100,000 times .75% equals $750 the first year. Future years would be different based on the actual account value at the end of the year to determine what times .75% would be. If you assume a flat growth of the accumulated value and $750 per year, the 10n year total is $7,500 for a death benefit of $50,000 (assuming no growth in the VA)

$7,500 premium for an eventual benefit of $50,000.

Is this like a life insurance rider?

NO.....the reason it is not is simple: taxes.

Death benefit riders on variable annuities are fully taxable at ordinary income rates. So assuming an average tax return of 25% (use your own rate) the actual net benefit would be **$40,000 for a premium deposit of $7,500**.

Here is some more ammunition. The death benefit rider is always approved regardless of heath issue s of the annuitant (age limits will apply and occasionally a health questionnaire is requested) How can they assume all that risk?

Simple: There are two reasons why they do. 1. The rate is not standard insurance rates but a minimum of **table 4** (4 times the actual rate charged for life insurance, and in some cases higher) and 2. All death benefit on variable annuities is **reinsured**. (Reinsurance life company)

Death benefits paid as a life insurance policy is tax free, no taxes are due.

Case Preparation 2

Proprietary (pro·pri·e·tar·y)

Definition: Of or relating to an owner or ownership. On that possesses or holds exclusive (legal) rights, copyrighted or patented.

Proprietary mutual funds are offered for sale by the financial institution - such as a bank, investment company, or brokerage firm - that sponsors the funds. Characteristically, the funds' names include the name of the institution.

An example:

First Bank of Iraq Mutual Funds, FBI "Core Investment Fund" (name of fund). This fund would be a proprietary fund.

If you buy proprietary funds and change direction on your advisors, these funds are not moveable. In order to move the funds, you would need to liquidate them and that can create a taxable event.

This strategy is designed to keep the investor where they are and by not allowing movement of their proprietary funds, they keep control over the funds and the fees.

Recently, we had a client who wanted to change brokers (advisors). The client was invested in "proprietary" funds and was unaware of the lock in the funds held. Some of these funds had been accumulating for 20 years and when she was told of the fees she had been paying, **Civil War** broke out.

Here total deposits over 20 years were $40,000.

The total account value had grown to $65,000 over 20 years.

Here fees had been as a front end load of **5.75%** (on all purchase)

Expense ratio of **1.80%** on all account values annually which included 12 b-1 fees of **.25%.**

She was outraged and demanded her funds be transferred to her new annuity (EIA). The problem was simple; the retained tax liability (including capital gains and ordinary income) was over $6,000.

This reduced her transfer amount to under **$60,000**.

She had two options, transfer and exposed herself to the tax liability or keep the funds exposed to the expenses and fees.

When you find clients and prospects who own **"proprietary"** funds, make sure they fully understand the restriction placed on them.

The best advice I can give anyone is this: Be informed

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