



Is It Open Season On Annuities?

by Robert Davis

The popularity of annuities and the explosive growth of indexed products have given way to a new breed of problems. Over the past 12 months, hundreds of negative articles and special reports have been created with the intention of scaring seniors away from the long-term safety and advantages that annuities can offer.

Much of the criticism is coming from those who would seek to regulate annuities and treat them as securities. In addition, powerful companies that market alternative investment products are feeling the sting of competition from annuities. Each week sees a dozen new articles with damaging assessments of annuities, allowing critics to highlight hot stocks, market timing, and proprietary

trading systems as the latest in portfolio management. Worse yet are the major mainstream publications that have entered the fray with sensationalized reports on exactly how annuity brokers are fleecing Americans.

In the short term, this practice is taking an immediate and direct toll in undermining consumer confidence in annuity products. Very few individuals and organizations are taking the time to create positive consumer pieces on the application and importance of annuities, including case studies, in-depth examinations of how annuities work for tax savings, guides on distribution planning, and estate and inheritance planning. More often than not, new guides are being produced and distributed to discourage the use

of annuities, often in favor of back-end relationships promoting alternative investment methods and techniques.

What can an advisor do?

Given the reactionary capabilities of legislators and the growing frequency of inaccurate articles denouncing annuities, it is important for each of us to do our part to promote positive annuity awareness, consumer education, and industry accountability. Never underestimate the impact your advice and recommendations can make on future taxation, distributions, income availability, estate planning, and long-term lifestyle maintenance.

Work to stay abreast of the latest product and industry developments that impact you and your clients. Build

positive, lasting relationships based on mutual trust, and support full disclosure between annuity providers and contract holders. Be aware of disinformation strategies being employed against annuities and invest in the creation of well-researched educational pieces that you can utilize to generate positive awareness. Take the time to identify articles and guides that represent your service and planning philosophies, and take every opportunity to educate local editors, as well as journalists who cater to the senior market, and local and state legislators.

Robert Davis is the executive director of the Annuities Institute, a national network of independent insurance specialists and retirement planners that encourages the highest standards of training, readiness, and planning qualifications. Its members work to provide objective and independent assistance in evaluating annuities to help clients reach retirement, income generation, tax reduction, and asset protection goals. Readers are invited to contact Mr. Davis at 815-429-3313 or rdavis@annuitiesinstitute.com.

Fiction and Falsehoods

Falsehood #1 — Making every type of annuity sound like a variable annuity, undermining consumer confidence, and stimulating fear that both principal and retirement savings may be at risk.

Falsehood #2 — Concluding that insurance agents without a securities license are not qualified to provide any retirement planning direction, regardless of the fact that fixed and indexed annuities are not at risk of losing principal.

Falsehood #3 — Repeatedly publishing that indexed annuities are always being sold to unsuitable candidates by unscrupulous insurance people, regardless of consumer satisfaction surveys, low complaint volume, and favorable comparisons of annualized returns for the last five years running.

Falsehood #4 — Discrediting commission-based annuity advisors by implying that they are all biased and that their commission comes directly from the starting principal amount, automatically reducing the investment value and worth.

Falsehood #5 — Advising consumers that anyone who ever suggests investing IRA money into an annuity is not credible, despite the fact that non-security annuities in many market conditions have outperformed other risk-based investments.

Falsehood #6 — Describing all annuities as life-only immediate products by informing consumers that they are a bad choice because the insurance company keeps all of the money if the annuity owner dies.

Falsehood #7 — Telling consumers that fixed annuities will never outpace the rate of inflation, thereby endorsing risk-based investments over intelligent asset allocation that has been based on a thorough needs analysis.

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