

## **A Great time to be in Our Business!**

Scott Burns' recent article had the following headline, "Fixed-income annuities are sporting attractive premiums." He went on to write that the average 5 year bank CD was yielding about 4.4%, while the 5 year Treasury was yielding just under 5% and, best of all, the average fixed single premium annuity was yielding 5.64%. That's 120 basis point benefit for the annuity!

**"Quality service and quality products begin with quality thinking."**

## **The Millennium Arrived & You Missed It!**

At last fall's meeting of the National Association of Insurance Commissioners, regulators continued to express their concerns about the marketing of equity indexed annuities. During that meeting one of the leaders of the NAIC's Annuity Regulation effort observed that he had seen the future of fixed annuities. *It was a hybrid plan that paid the client interest based on the performance of the company's general account assets and still provided guarantees of principal and interest*

Since 1995 the equity indexed annuity has taken the fixed annuity market by storm. Sales have mushroomed. As exciting as the EIA may be to the industry, it is old technology. The hybrid technology that the regulator described is the future.

Traditional annuities paid interest to the clients based on the yield that the insurance company earned on its portfolio, minus a 'spread' of 150 or 200 basis points. As the yield curve fell, the falling rates rendered the methodology non-competitive vis-à-vis CD's. They were not even in the game when compared with the double digit returns that most clients were earning on their stock market portfolios.

Necessity being the mother of invention, the industry responded with a new crediting methodology which linked annuity interest to the performance of the S & P 500 Index. This proved to be an extremely successful development, but inflexible due to the linkage with the index.

Even today, five years after the introduction of EIAs, the client benefits greatly from this technology. *They aren't going to make as much as clients did in the early years, but still they can do better than the average CD or fixed annuity. Is there still a better way?*



About six years ago, a new concept hit the market. Its results were nothing short of astounding. This concept was built around the simple approach of crediting the client with the total return from the insurance company's investments minus a fixed administrative fee. This differs from the traditional method because the returns are not limited to yield on the investments, but also include the capital gains. It also differs from the traditional approach by capping the insurance company profits through the fixed administrative fees. Call ext. 129 for your personal briefing on these innovative products.

For example, assuming the company only did as well as the Lehman Brothers Aggregate Bond Index, and most companies can do better, the client would have netted 7.41% in 1997 and 6.43% in 1998. How did the average SPDA do according to AM Best? The answer was 5.74% in 1997 and 5.25% in 1998. That's 120 to 170 basis points a year more for the client, with no additional market risk. So it worked for the client. It worked for the agent because in just a couple of years over \$3 billion in new sales flowed into one of these products. It worked for the company because it brought in new premium in a very profitable structure.

This product works well as a CD alternative, but also works well as a bond mutual fund alternative. During the first quarter of 99, over \$47 billion went to taxable bond mutual funds. That's a huge market for a product that delivers bond fund returns with guarantees of principal and interest. Plus, tax deferral !

AFS has been actively involved in the design and marketing of these products since 1993. We have taken their application to an art form. The first 100 producers who contact us from this newsletter will receive our powerful new tool - **A Case for Adding Total Returns**. Call us at (800) 326 9019, ext. 129.

Be Kind to Your Friends: We know that these newsletters get passed around a lot, so why not do your associates a favor by having us send them their own copy. Let us know who else should be getting Annuity News?

## IRA Opportunities

The Employee Benefit Research Institute is reporting that the total IRA market grew 25% in the most recent reporting period (96 to 97). That means that IRAs represent a \$2 trillion dollar opportunity. The market is projected to grow to more than \$4.6 trillion by 2008. Are there marketing strategies that are available to you that will put you in front of that market? Yes. Two of them are "Roth to Riches" and "Dynasty IRAs". Either of these will give you an entrée into this profitable arena. Contract today to receive either kit, (800) 326 9019, ext. 128 or 129.

The Study went on to report that IRA rollovers amounted to just under \$100 billion annually. That's about the amount of money that went into the entire fixed annuity market. These rollovers amount to opportunities to capture money that is moving somewhere. That's where our two IRA sales kits can help you grow your business.

## Better than Muni Bonds !

Many clients who have built large municipal bond portfolios don't know that what they have really created is a large tax liability. How? The premise behind the municipal bond is to generate a stable, predictable tax-free income stream. And the bonds will do that except that the income from muni bonds is added back for purposes of taxable Social Security and the bonds themselves are subject to estate taxes.

For instance, assume your clients were 70 and 68 respectively. Their total estate was valued at \$3 million and \$1 million of that was invested in muni bonds. Assuming 5.5% interest, the muni's create \$55,000 in annual income which forces 85% of the clients' Social Security to be taxable at 28%.

Further, \$410,000 of the muni bonds will be lost to Uncle Sam in estate taxes.

A better solution: Buy a \$1 million life policy in an irrevocable life insurance trust. That guarantees the children almost twice the inheritance. Next, the clients purchase a joint life immediate annuity. The immediate annuity income is largely excluded from taxes and Social Security add back. The client sees higher net after-tax cash flow, even after paying the annual insurance premiums.

If you have clients with muni bonds, call us today and we'll prepare your customized "Muni Bond Alternative" for your next sales presentation, (800) 326 9019, ext. 129.

## Cut Your Marketing Costs in Half ?

For most financial advisors, their largest single budget item is their marketing costs. How much does it cost to collect referrals? There are some techniques that entail some cost, but let's start with asking after each appointment. The cost is zero.

A recent survey of high net worth individuals reported that 80% of them would refer their financial advisor to a friend or associate, **if they were asked!**

Here are 7 keys to more referrals.

1. A high level of contact. You have to ask all the time if you are going to build a system. One way is to have your assistant ask you after every interview whether you asked for referrals. If you didn't, then you must pay the assistant \$20. After five times at \$20, raise the ante to \$100. It won't be long before you have too many referrals.
2. Explain why you want referrals. The reason is simple. If clients give you a steady stream of referrals, then you will be able to devote more time to clients and less time to marketing.

3. Educate clients why you want them to give you referrals.

4. Invest time listening to your clients. The more in tune you become with them, the easier it becomes for them to refer you to their friends and associates.

5. Be "the" expert. You need to explain what your expertise is and why that's important to your clients.

6. Build your clients' trust. This is achieved by meeting their expectations. You meet their expectations by learning what they are and then delivering.

7. Ask again in a new way. For instance, plan a client appreciation event or Christmas lights tour for your clients and encourage them to bring a friend.

Our licensed agents can get their sample of "1010 Marketing Ideas" by calling (800) 326 9019, ext. 129 today.

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# Annuity News

*Proven Secrets that will cut  
your marketing costs in half!*

*Man can climb to the highest summits, but he cannot dwell there  
long.*

*George Bernard Shaw*



## **Retirees' Taxes May Not Drop Much**

Retirees may lose some of the major deductions they had before retirement. And perhaps more important, they are taxed on income they are not used to receiving. Some financial planners estimate that up to 85% of their retired clients remain in the same tax bracket.

Let AFS help you capitalize on this opportunity. Ask about our new **Executive Supplemental Retirement Plans**. These can be added on top of other 401(k) or IRAs. Call us today, (800) 326 9019, ext. 128 or 129.

## **Long-Term Care Crisis Forecast**

"One of the biggest challenges facing Americans in the 21st century will be the aging of the baby boomers," according to a recent long-term care study by Mulvey and Stucki.

According to census figures, the number of the nation's elderly is expected to double by 2030 to nearly 70 million. More than 20% of the population will be over age 65, compared to 13% in 1990.

The report predicts that a rise in the number in nursing homes to 5.3 million combined with pre-stay costs expected to more than double in pres-

ent dollars, will lead to quadrupling of nursing home expenditures.

To make matters worse, the frail elders of 2030 may not be able to rely on family and friends for help to the extent they do today. Family sizes are smaller, family members are dispersed over wider geographic areas and increasing numbers of women work outside the home.

What's the answer? Request our "**New LTC Strategies**" sales kit (800) 326 9019, ext. 129 or 128 for contracted producers.