

VARIABLE ANNUITY INSURANCE AND SECURITIES WORLD



Variable Annuity – Never ever buy these

What you have here is the insurance world combined with the securities world.

First is the insurance world. What's the first thing they want to do? They want to add a life insurance fee. Did you know there was a life insurance fee in your VA? No because they call it something different, they call it M&E or Mortality & Expense Fee.

Typically this is about 1.5% by itself. Did you know that you were paying a fee of 1.5% for life insurance? By the way you are paying a life insurance fee but you are not getting your benefits tax free like you get from life insurance. If you want life insurance, buy life insurance direct! Next, you have the securities world. The securities world will handle the investments within the annuity. They have mutual funds, which require a fund manager. Their job is to make you money. Wouldn't you agree? Now do you think he's going to do this for free??? No, he charges a fee, right... somewhere around 1.5%. Now, how does a fund manager make you money? They buy and sell. You never bought a stock before? What fee comes along with buying and selling stock? Transaction costs!!! These typically are around 1 – 2% as well. So now the fees are up to 4%. How many of you knew you were paying 4% on your variable annuity. That's the problem; the company doesn't always clearly disclose these fees. They give you what is called a prospectus and you have to try to "find" these fees on your own. Or you can trust your broker. On many occasions, clients come in and disagree with me. They say, no! I only pay 1.5% in fees, I double checked with my broker.

I had a client come in the other day with a million dollar Variable Annuity. They came in and told me I was wrong and that their fees are only 1.5%. They said the broker confirmed it with them and that their fee was less. I told them it's usually not a great idea to get a second opinion from the same person you got your first opinion from, the broker. But I think I have a way we can solve this. You don't have to believe me and you don't have to believe your broker. I made a suggestion to my client - Let's play a game, which all of my clients like to play – it's called **"Let's Call The Company"**. So together we all called the company. We got the company on the phone and I asked what the fees are on this Variable Annuity that Mr. and Mrs. Jones owned. And the customer service representative, who seems like he just graduated college said, 1.5% is the annual fee. So it appears the broker is right! I then asked, can we get a specific breakdown of the fees?

I then asked what about insurance fee (AKA Mortality and Expenses)? Oh, that one is 1.5%.

Next, investments with the annuity? (subaccounts): 1.5%

How about Rider Fees or options? 1%

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We added them up and found the total fee on this annuity is 4%!!!!

You see, Mr. Jones is a retired teacher and when he saw this, it really hit home. He made less than 40K a year as a teacher and this company is making that every year off of his account. It's like working for free! So it hit me... Mr. Jones did his due diligence. He double checked with the broker and we double checked with the customer service representative. We didn't find the truth out until we dug in and asked the right questions. He needed a coach, someone to coach him on the right questions to ask in order to get the truth.

Now what's the point? What do these costs really mean to you and how does this Variable Annuity work? Well, in Mr. Jones's case it works like this.

Plain and simple – let's say that the market goes up 10%, how much does he get?

6%

Let's say that the market goes down 10%, how much does he lose?

14%

So you go up less, you go down more – how long is your retirement going to last with this strategy?

What's worse is the company has a way to make you stay in this product. They throw in surrender charges, so now you are stuck!!! If you get out, you get a hefty penalty. So I have to ask a question... What if you were unstuck on your VA? Not always, but most of the time we can do this. We have a way where we can make you unstuck and it works most all the time. Would you do it?

If the answer is yes or if you'd like a coach to help you play "Let's Call The Company", me and my firm will do that. We'll be sure you uncover the truth about your Variable Annuity.