



A Life Insurance Agent's Employee Discount?



Helping maximize yield for clients & agents
using only traditional fixed annuities!
California Insurance Lic # 0B67385

The Life Agents Wholesaler | www.fsdfinancial.com | 800.373.9697



The Life Agents Often Overlooked And Rarely Demonstrated Employee Discount

By: Jeff Affronti—August 17, 2017

A fun financial benefit of working for a retail business is the employee discount. This discount combined with timing a purchase with an upcoming sale can make that benefit even more valuable. An example would be a \$1,000 item on sale for \$900.00 plus a 10% employee discount = \$810 selling price. A nice savings total of 19%.

Licensed life insurance agents have a sort of employee discount too. A life agent that writes a case as owner and agent will receive a commission. A commission on the premium can be considered part of the carriers yield on the product. Here is an example of a \$100,000 premium placed with a carrier offering a 3.25% MYGA rate for 6 years and a 2.00% commission. The MYGA will accumulate to \$121,154 in 6 years and pays a \$2,000 up front commission all totaling a \$23,154 total gain from the carrier. The 3.25% rate plus commission has yielded the agent 3.53% over the 6 years, it is like a savings total of 8.6%. The yield would be slightly higher if the agent's after tax commission also earns interest over the 6 years.

FIA products work a little differently in regards to how the benefit is calculated. An

agent's commission increases the minimum guarantee from day one. Possibly even the overall return if the index crediting method gain is higher than the benefit enhanced minimum guarantee at the end of term. Here is an example of \$100,000 premium with a carrier offering a 7 year FIA with a minimum guarantee of 107% and paying a 4.00% commission. The FIA will accumulate to no less than \$107,000 and pays a \$4,000 commission. Combined, the total is 111% of premium and gain guaranteed, the equivalent of 1.57% simple interest annually. Currently the annual point to point cap is 5.50%. The agent is increasing risk for a possible 1.97% of additional interest annually. This is the spread between the MYGA yield 3.53% and a 5.50% simple interest cap assumption. In simple terms, the agent owner is hoping for better than 3.53% and hoping for a 5.50% yield. By passing on the 3.53% MYGA guarantee the owner may end up with just 1.57% annual yield.

Agents need to do these extra calculation before they purchase a fixed annuity. The interest rate earnings plus the commission paid will equal the actual gain on the investment. Maximizing the guarantees on fixed annuities using simple math to show the minimum walk away values.

Jeff Affronti



FSD Financial Services | 800-373-9697 | Fixed Rate and Immediate Annuities

#lifeagent #MYGA #MYGARATES #Commission #fsdfinancial #imo

 **SPIAQUOTE.COM**