

Comparing Products Minimum Walk Away Guarantee Values For Risk Averse Clients



Fixed Annuities For
Clients Needing
Strong Guarantees!



PTE 84-24 AND TRADITIONAL FIXED ANNUITIES WITH FSD

By: Jeff Affronti—06/12/2017

Qualified MYGAs and SPIAs and PTE 84-24

FSD Financial Services markets client oriented Fixed Rate and Immediate Annuities. Since we offer the most traditional fixed rate annuities, you may continue to offer these MYGA and SPIA annuity products utilizing the Prohibited Transaction Exemption (PTE) 84-24. Below is our very basic breakdown of how the rule should impact our agents. Keep great records and keep them organized.

The PTE 84-24 requires that agents adhere to the **Impartial Conduct Standards**.

- **Act in your clients best interest** - *This should include showing multiple options based on your clients defined objective! Historically, the traditional fixed annuity clients are simply looking for guaranteed accumulation or income. They are usually very conservative and are happy with the yield in a fixed rate annuity because they are comparing it to other mainstream insured and guaranteed products.*

- **Avoid making misleading statements to your clients** - *Learn all you can about the product line and specific products before you present them. Let us get you the brochures, fact sheets and even specimen contracts. It really takes little time to outline the features of a client oriented fixed annuity. It should be fairly simple. I feel it is of major importance to clearly show the minimum guaranteed walk away value at the end of the surrender period of the fixed annuity.*
- **Receive no more than reasonable compensation, and disclose what your compensation is.** *This is an area where FSD Financial's selection of traditional and client oriented products have provided the highest rates with the most reasonable, usually lower, commission.*

Companies, in hopes to comply with the rule, have created Disclosure and Acknowledgment forms for agents to use with their clients. Most carriers have a generic or branded form for DOL ruling.

The forms are to help you make the minimum disclosures to your clients:

- Your relationship as an independent producer with the company
- Clearly state your sales commissions and incentives if any
- A description of fees, charges, etc. associated with the transaction
- Any material conflicts of interest you may have

FSD and Dol Rule

I have been doing comparisons of fixed annuities for over 20 years. Lay out the fixed and guaranteed income and accumulation options for your risk averse clients. It is easier to find the right product for your client than trying to get your client into that certain product. I have seen clients placed in products that work for their needs, however, were not the most efficient for the clients ultimate goal. Mostly, I

have seen this in the use of fee based income riders. They seem to have been the fit for most every client purchasing an FIA, for income or accumulation. Those days I believe are over, at least in part.

Immediate Income Needed On Qualified Funds? - If a client is looking for the highest immediate and guaranteed lifetime income, I feel a SPIA should be presented. SPIA's can offer a full premium refund and so much more. The SPIA is likely going to offer more income with a much lower commission. Lifetime income SPIA clients who add a long term period certain will guarantee themselves or their beneficiaries a gain from day one, no matter how long they live. That is hard to beat! A SPIA should look better for that client over an FIA fee based rider with a 6.00% or 7.00% commission; especially since the average SPIA commission is 3.00% or lower, with NO FEES on client premiums. Based on products available and a need for immediate income, price a SPIA so your client can see that there is an insurance option available where they can get the same income for less premium. 10% less and maybe even more can be saved while producing the same income by using an immediate annuity over an FIA income rider. If compliance is looked at in the future from the outside, which one is an agent going to be more comfortable with? Remember SPIA's can offer single or joint life options, refund guarantees, liquidity, increasing payments, nursing home enhancements and more. Get to know the SPIA so you can make a full comparison for your truly risk averse clients! If a rollover or 1035 exchange, get the current policy annuitization payments so as to be sure the SPIA will offer more income or benefits.

Qualified Fixed Indexed Annuities. BICE - Occasionally, we will find an FIA worthy of the risk averse saver. FSD will be even more highly restrictive in the submissions of qualified FIA's. I have expressed concern for years that the FIA products available today were NOT designed with the traditional fixed annuity client in mind. FSD will only consider top level marketing on qualified FIAs with simple crediting methods and fair minimum guarantee walk away values to the client at the end of the surrender period. We feel a fair current minimum is 1.00% annually at the end of

the surrender term. Example: a six year product must have at least a 106% of premium minimum WALK AWAY, guaranteed at end of term. We feel most FIA's will now be non qualified for obvious reasons. Some of the biggest insures do not even offer FIA and I think that does say something very strong! If a client is looking for large gains and assumptions, a fixed annuity is likely not the place for them.

I feel a fixed rate MYGA should always be presented as an option to an FIA if the client is truly looking for guaranteed accumulation. Let the client decide which risk/reward decision they like best! I believe it is going to be very hard to show most current FIA's as the best interest for the traditionally conservative and risk averse fixed annuity clients!

Current fixed rate MYGA's range for 2.00% for 3 years (106.12% after 3 years) to 3.40% for 7 years (126.37% after 7 years). **Be sure to know if the MYGA has a true 0% surrender or just a 30 day exit window at the end of term.** If a 30 day window, be sure to set up a way to track those policies.

In the end, do the math and compare the available options, it is all about the guarantees! See more [MYGA rates here](#).

Jeff Affronti



Marketing, illustrating, studying and selling fixed annuities since 1995.

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