

How to Sell Index Annuities

Is your Client:

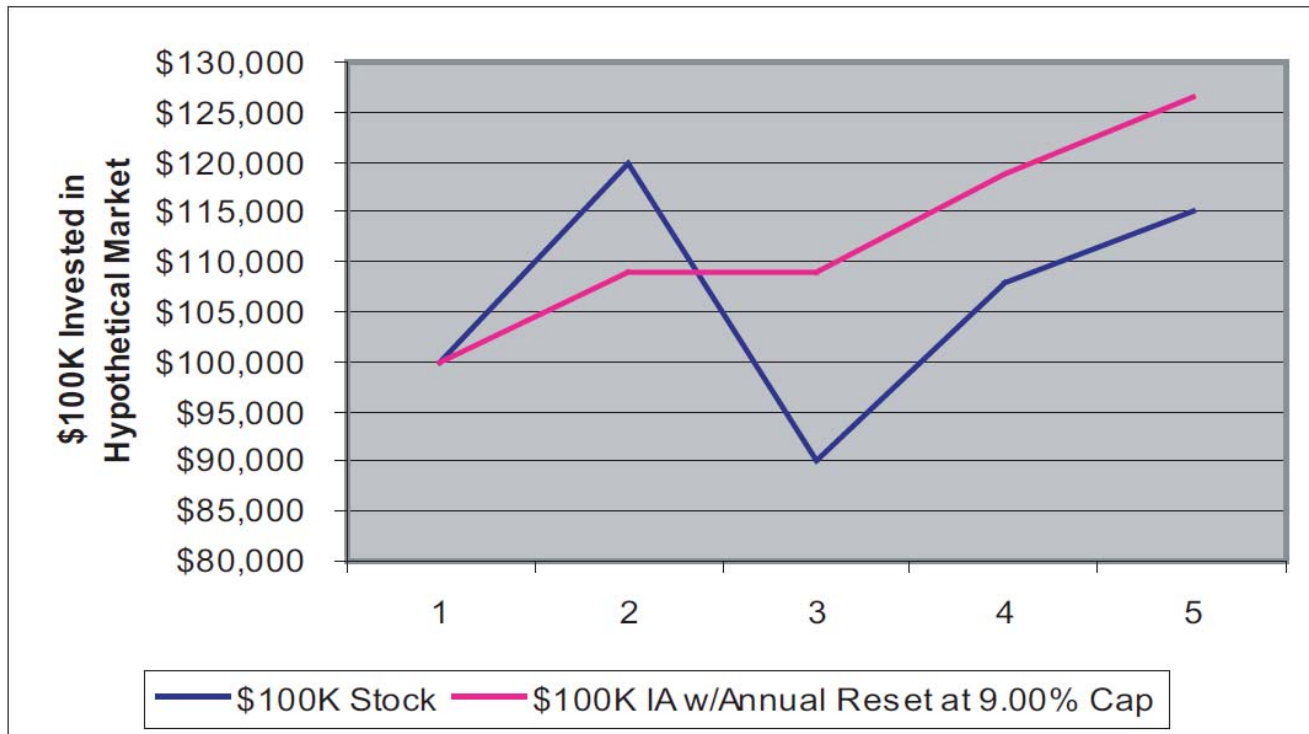
- Not happy with low fixed rates?
- Between the ages of 40 and 80?
- Not willing to take unnecessary risks with their money?
- Looking for 5-12 year, tax-deferred gains?
- Rolling over a 401k or other qualified investment?

Tell them about participation in the upward movement of the stock market without risk to principal!

1. Explain the benefits of **Annual Reset**

- NO negative returns, even if the market is down!
- Start fresh with new crediting potential each year.
- Gains locked in annually.
- Can never lose the interest credited.

Year	Index Value	\$100K Stock	\$100K IA w/Annual Reset 9.00% Cap
1	1000	\$100,000	\$100,000
2	1200	\$120,000	\$109,000
3	900	\$90,000	\$109,000
4	1080	\$108,000	\$118,810
5	1150	\$115,020	\$126,508



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2. Pick the best **Crediting Method** for your client.

-Annual Pt-to-Pt: Easiest to explain and understand.

- Starting Index Value compared to Index Value in one year. Ex: $1100-1000/1000 = 10.00\%$
- Gain is credited up to specified cap level: 9.00%
- Loss in market = 0% credited for that year.
- Remember: Cap rates can change annually

Date	Hypothetical S&P	Increase	Capped Increase (assuming cap = 9.00%)
1/1/2007	1000		
1/1/2008	1100	10.00%	9.00%
Annual Interest Credit - Annual Pt-to-Pt Cap 9.00%			

-Monthly Pt-to-Pt (Monthly Cap): Higher potential gains, more volatility.

- % gain or loss each month recorded. Gain = Cap. Loss = No Cap.
- Add up all 12 months' % to determine yearly gain credited.
- If negative, 0% credited for that year.

-Monthly Averaging: Protection from severe index declines, but limited gains because of averaging.

- Index value captured each month
- Average of 12 months' values taken: $2/1/2007-1/1/2008 = 1022.67$
- Starting value is compared to averaged values. $1022.67 - 900.0/900.0 = 13.63\%$

Date	Hypothetical S&P	Monthly Increase	Capped Increase (assuming cap = 2.70%)
1/1/2007	900.00		
2/1/2007	930.65	3.41%	2.70%
3/1/2007	903.61	-2.91%	-2.91%
4/1/2007	939.13	3.93%	2.70%
5/1/2007	1004.96	7.01%	2.70%
6/1/2007	1008.28	0.33%	0.33%
7/1/2007	1014.43	0.61%	0.61%
8/1/2007	1032.99	1.83%	1.83%
9/1/2007	1041.15	0.79%	0.79%
10/1/2007	1040.22	-0.09%	-0.09%
11/1/2007	1116.78	7.36%	2.70%
12/1/2007	1111.37	-0.48%	-0.48%
1/1/2008	1128.51	1.54%	1.54%
<i>Total of monthly capped increases</i>			12.42%
Annual Interest Credit - Monthly Cap 12.42%			

Date	Hypothetical S&P	Increase	Capped Increase (assuming cap = 5.00%)
1/1/2007	900.0		
Avg. of 12 monthly values	1022.67	13.63%	5.00%
<i>2/1/07 - 1/1/08</i>		Annual Interest Credit - Monthly Averaging 5.00%	



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3. Explain how the **Minimum Guarantee** works.

- Returns at END OF TERM = EITHER the minimum guarantee account OR the account that has been crediting annually, whichever amount is greater at the end of the term.
- Examples assume:
 - \$100,000 Premium
 - 9.00% Cap,
 - 5 Year Term,
 - Minimum Guarantee of 3% on 100% of premium.

Ex 1: Account crediting with caps is HIGHER than minimum guarantee account - client gets **capped increases**.

	S&P Change	Interest Credited w/9.00% Cap	\$100,000 Premium	Minimum Guarantee
Year 1	10.00%	9.00%	\$109,000.00	
Year 2	8.00%	8.00%	\$117,720.00	3% of 100% of premium
Year 3	2.00%	2.00%	\$120,074.40	compounded
Year 4	11.00%	9.00%	\$130,881.09	
Year 5	-1.00%	0.00%	\$130,881.09	\$115,927.00

Ex 2: Account crediting with caps is LOWER than minimum guarantee account - client gets **minimum guarantee**.

	S&P Change	Interest Credited w/9.00% Cap	\$100,000 Premium	Minimum Guarantee
Year 1	0.00%	0.00%	\$100,000.00	
Year 2	1.00%	1.00%	\$101,000.00	3% of 100% of premium
Year 3	-5.00%	0.00%	\$101,000.00	compounded
Year 4	-2.00%	0.00%	\$101,000.00	
Year 5	0.00%	0.00%	\$101,000.00	\$115,927.00

4. Explain other important features of the Index Annuity.

- Free Withdrawal: How much money can be taken out without penalty?
- Are there riders available in case of emergency?
- Period and amount of Surrender Charges, is there an MVA?