



The FSD Journal

A Marketing Publication Designed

for the Financial Planning Professional

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Shop that SPIA

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ffered annuities have many areas to consider when selecting a product. We must discuss rates (bonus and base), guarantee periods, surrender charges, liquidity, death benefit, nursing home waivers and so on.

The Single Premium Immediate Annuity, or SPIA, is different. Basically, we want to know one of just two things: (1) How much of a monthly income will X dollars of premium buy? Or (2) How much will a Y dollar monthly income cost? The first question asks us to solve for the income amount, whereas the second gives us the income amount and asks us to solve for the deposit needed to generate that income.

Apples to apples comparisons are easy with SPIA's. We look at company ratings and commission rates as the primary variables.

By shopping your SPIA quotes with FSD FINANCIAL SERVICES you can get your client a lower price (or higher payout). The differences among carriers can be stunning.

The chart below shows the different monthly payouts payable to a 70 year old male depositing \$100,000 of nonqualified money. (Quotes assume no state premium tax).

CARRIER	LIFE - ONLY
National Guardian	\$931.00
Presidential Life	\$898.51
AIG Life	\$893.21
Sun America	\$885.60
United of Omaha	\$875.70
Canada Life	\$860.67
Transamerica	\$849.06
First Colony	\$837.46
Jefferson Pilot	\$823.57
America Life	\$803.37

As illustrated above, by shopping the SPIA market with FSD in one simple phone call you may be able to get your client over \$100.00 more, *EVERY MONTH!* ■

Bob Affronti
President

John Zoida
Marketing Manager

The Rise and Fall of Participation Rates

OK, so maybe not so much the rise of participation rates. But we have certainly been seeing the fall of equity indexed annuity (EIA) participation rates.

So why are they falling? Do the insurance carriers merely want to increase their profit margins? Are they getting greedy in this tremendous EIA market?

Believe it or not, the answer is no.

The real answer as to why participation rates are coming down is, for the most part, twofold. It has to do with interest rates and the price of S&P call options.

As for the former, *interest rates* are low, lower than they've been in a long time. With lower rates comes a greater percentage of EIA premium dollars that carriers have to allocate towards the purchase of investment grade bonds which cover the principal guarantee. As such, a smaller portion of the premium is left over to purchase the S&P call options. The result: lower participation rates.

The *price* of the options also plays a role in the participation rates. With higher prices, fewer options per premium dollar can be purchased. But what exactly increases option prices? Greater stock market volatility and greater demand for the options increases the prices, and both of these forces are bidding up the prices in today's environment.

So are EIA's losing their attractiveness? I think not. Participation rates that were once 80% and now 70% isn't terribly alarming to me. If the S&P 500 increases 20% in a given year, clients would now earn 14% instead of 16%. Are clients going to be upset at earning 14% with no risk to their principal? If the participation rate was even as low as 50%, God bless! They'd still be making 10%! That is a fantastic interest rate on a fully guaranteed product. ■

PLEASE FAX THIS PAGE TO (818) 881-6973

We are customizing our mailing system to better service you.
Please indicate the frequency of mailings you prefer to receive:

- Group 1 *Once per month to keep me up-to-date on current interest rates, commissions, and annuity products.*
- Group 2 *Once per quarter is frequent enough.*
- Group 3 *None. I'll call you for illustrations and service when an annuity case comes up.*

I would like to receive my information by:
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Fax -or- Mail

Your Name:

Address:

Your Phone:

Address:

Your Fax:

Email:

BYE-BYE BENEFICIAL STANDARD



Effective 12/31/97, Beneficial Standard will be absorbed into American Life and Casualty. Both are Conseco companies. We will be sending out new American Life contracting paperwork shortly to Beneficial agents.

The 10% Pre-59½ Penalty Tax is really an attractive feature of annuities.

The key to success for most millionaires is discipline and systematic investing over a period of years. Savings accounts and mutual funds offer ready access to one's funds, thus inhibiting investors to save successfully.

The 10% excise (pre 59½) tax is an attractive feature for this reason. The tax instills discipline and keeps investors on the long-term financial path towards a secure future. Thus, the annuity is an ideal vehicle that equips our clients with the necessary components to disciplined and systematic savings.

The 10% tax is an asset of the annuity, so promote it as such!

TRAIL COMMISSION

*Interested in building up
your asset base?*

Announcing our first fixed annuity that offers an up-front commission with an asset-based trail:

2.75% **1st Year**
0.40% **Trailer**

Please call us for more information.

**FSD has just added yet
another AAA rated carrier to
our annuity portfolio:**

AIG LIFE
(AAA S&P, Aaa Moody's)

**Call us for a competitive
immediate annuity quote
from AIG or any of our
other AAA rated carriers.**

NOTICE: Outdated Safeco Forms

Did you receive a
Safekey Indexed Annuity kit
BEFORE November 1997?

If you did, please discard all application forms immediately and call FSD FINANCIAL SERVICES at (800) 373-9697 for current materials.