



## We Have A **3 Year Index Annuity** - Walk Away

### Forethought Life - 3 Crediting Methods:

**Annual Spread with Monthly Averaging:** (Annual Reset) No Caps • 100% Participation Rate

**Three Year Point-to-Point with Cap:** No Fees • 100% Participation Rate

**Three Year Monthly Point-to-Point with Cap:** No Fees • 100% Participation Rate

**3 Year Surrender:** 6%, 6%, 5%, 0%

**2.00% Commission (0-75)**

**\*Visit [www.fsdfinancial.com](http://www.fsdfinancial.com) or see enclosed Forethought Life rate sheet for details!**

## THE BONUS MYTH

A personal pet peeve of mine is the offer by some annuity carriers of large up front bonuses. Generally speaking, I am not opposed to bonus products. What bothers me is where a carrier allows or even teaches agents that these bonuses can be used to induce a prospect or client to surrender early an existing deferred or indexed annuity. When a client accepts a 5% surrender charge because they are getting a 10% bonus as an inducement to move, I feel that this is usually not in the client's best interests. Bonus products, which offer a 1st year bonus and guarantee a renewal rate through the surrender period, are o.k. The reason is that the long-term yield is known. If we get a 2% bonus with a 5-year surrender period we can calculate the true yield. In this case we get a 200 b.p. bonus in year one and this translates to 40 b.p. per year plus the base yield. If a company shows 6.40% year 1 and 4.40% in years 2-5 we can say that the true average yield is 4.80% for the entire 5 years. Whether we get it up front or evenly spread out, the yield is the same. Bonus products that pay a large 1<sup>st</sup> year bonus, but don't guarantee the renewal rates can, and in my opinion will, create future problems. During my agent training sessions, I show how a product is built and priced. (I was a Home Office field executive for over 20 years and did much product design.) A bonus paid in the first year is treated like a commission charge. By that I mean that bonuses paid must be paid back through reduced renewal pricing in future years. Commissions work the same.

Remember-No Insurance Company has ever paid a dollar in commissions – Clients pay all commissions!!

If a company pays a 5% commission on a 5-year surrender product they will (or really should) amortize over the term – 1% per year. Using a first year bonus to offset a surrender charge to induce a client to buy a different annuity with non-guaranteed renewal rates is dangerous. Ask yourself this question, "Where does that bonus money come from?" It has to come from somewhere! Either it is from the insurers profits or the client's deposit. If, as most insurers earn, profits are 50 b.p. per year, why is a company willing to forgo 20 years of profits when it offers a 10% bonus? Doesn't make sense to me unless they have a way (reduced renewals, forever surrenders or two-tier structures) to get that bonus money back.

# TWO TIER PRODUCTS

In the preceding article I mentioned "Two Tier Structures". It is important to understand that if the product you are selling is a "Two Tier" product, what you see is not what your client will get. A Two Tier product provides a higher value if the client ultimately annuitizes under the contract. If the client ever wants to surrender, 1035 exchange or change his plans; the two-tier structure will be very PENATIVE. I, personally, don't see any good reason to force a client to make a decision, which they must live with for the rest of their lives. The use of a two-tier structure for qualified funds which won't access the money for a long time doesn't change the fact that the clients options are greatly limited regarding the ability to take advantage of better rates or products that may appear in the future. I believe that without the offers of large upfront bonuses these products would not sell. Flexibility is an important feature in annuities and clients should be able to change their plans or exchange after the surrender period.

## IMMEDIATE ANNUITIES - GUARANTEED INCOME FOR LIFE

### Lifetime Income "MONEYBACK" Principal Protection Life With Installment Refund!

Below are SPIA quotes run on \$100,000 with a 3.75% Commission - A++ Carrier

#### **Male age 65**

\$652.28 Monthly For Life W/ Refund GUARANTEED

**7.82% P&I Annual Return**

#### **Female age 65**

\$623.66 Monthly For Life W/ Refund GUARANTEED

**7.48% P&I Annual Return**

#### **Male age 70**

\$712.87 Monthly For Life W/ Refund GUARANTEED

**8.55% P&I Annual Return**

#### **Female age 70**

\$681.26 Monthly For Life W/ Refund GUARANTEED

**8.18% P&I Annual Return**

#### **Male age 75**

\$789.44 Monthly For Life W/ Refund GUARANTEED

**9.47% P&I Annual Return**

#### **Female age 75**

\$756.50 Monthly For Life W/ Refund GUARANTEED

**9.08% P&I Annual Return**

#### **Male age 80**

\$886.35 Monthly For Life W/ Refund GUARANTEED

**10.63% P&I Annual Return**

#### **Female age 80**

\$857.54 Monthly For Life W/ Refund GUARANTEED

**10.29% P&I Annual Return**

#### **Male age 85**

\$996.08 Monthly For Life W/ Refund GUARANTEED

**11.95% P&I Annual Return**

#### **Female age 85**

\$976.83 Monthly For Life W/ Refund GUARANTEED

**11.72% P&I Annual Return**

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Period Certain Only Below are SPIA quotes run on \$100,000 - 3.25% Commission

05 Year Certain - \$1,832.00

07 Year Certain - \$1,357.00

10 Year Certain - \$1,048.00

Request Quotes @ [www.SPIAquote.com](http://www.SPIAquote.com)

FORETHOUGHT DESTINATION INDEXED ANNUITIES<sup>SM</sup>

**GUARANTEED DESTINATIONS<sup>SM</sup>**

**NEW!**

Finally, a guarantee so simple  
even a child can understand it!



- **Money Back Guarantee from Day One!**
- **5% Premium Bonus!**
- **Guaranteed Lifetime Income:**
  - Choice of Level Benefit or 2% Cost of Living Increases!
  - Spousal Continuation of Benefit Option!
  - Based on at least 105% of Premium Growing at 5%!
- **10 Year Walkaway Fixed Indexed Annuity!**
- **Strategy Term Extension Rider Available!**

**8.0% Commission  
Ages 0-75**

IT'S THE RIGHT CHOICE<sup>®</sup>

**FORE  
THOUGHT<sup>®</sup>**

Call today for more information! 1-800-373-9697  
Or visit [www.fsdfinancial.com](http://www.fsdfinancial.com)

Forethought Destination Indexed Annuities<sup>SM</sup> are deferred annuities with fixed and indexed strategies issued by Forethought Life Insurance Company. Forethought Life is a wholly owned subsidiary of Forethought Financial Group, Inc. Guaranteed Destinations<sup>SM</sup> is available in most states with contract FA1001FP5GD10-01, (certificate series GA1001FP5GD10-01, as applicable). State variations may apply. Read the contract for complete details.

**NOT AVAILABLE IN ALL STATES.**

**FOR AGENT USE ONLY - NOT INTENDED FOR SOLICITING ANNUITY SALES FROM THE PUBLIC.**

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1207



Annuity premium bonus special through December 31<sup>st</sup>!

# the BONUS Blast

IT'S BEEN EXTENDED!  
ENDS 12/31/07!

Take advantage of these exciting annuity features:

- Generate a lifetime income stream.
- Tax-deferred growth.
- 10% penalty-free withdrawal each year after the first year.<sup>1</sup>
- Full accumulation value paid upon death.

Eligible 14-Year Annuity Products Receive  
**12.50%\***  
**PREMIUM BONUS**

Eligible 10-Year Annuity Products Receive  
**7.50%\***  
**PREMIUM BONUS**

Minimum initial premium of \$50,000 per application is required.

**NA**  
North American Company  
for Life and Health Insurance  
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Des Moines IA 50325-0905

**Call today for more information!**

**FSD Financial Services**

**www.fsdfinancial.com**

**800-373-9697**

\* Refer to product specific brochure for duration of premium bonus. Applications must be received on or before 12-31-07 and premium must be received on or before 03-31-08. North American products are issued on form series LC/LS155A, LC/LS156A, LC/LS160A, and LC/LS144A or state variations by North American Company for Life and Health Insurance, Chicago, IL. These annuities, their features and riders may not be available in all states. 1. Withdrawals taken prior to age 59 1/2 may be subject to IRS penalties. Withdrawals taken during the Surrender Charge Period above the penalty free amount will be subject to surrender charges.

Extra Extra! Read all about it.

**Important:  
Forward to All Producers  
and Administrative Staff!**

## End of Year Processing for Annuities

Please advise your back office and agents of these important dates:

1. **Minimum Distribution Requests:** Due to the severe tax penalties placed on minimum distributions not taken by year-end, it is critical that the Home Office receive Minimum Distribution Requests as quickly as possible. Forms requesting distribution by **December 31, 2007**, must be received in good order by **December 19, 2007**.
2. **Index Annuity Applications:** Applications **with cash** must be received in good order in the Home Office by **December 27, 2007** for guaranteed issue on the **December 28** contract issue day.
3. **Traditional Fixed Deferred and Immediate Income Annuities :** All applications **with cash** must be received in good order on or before **December 28** to ensure contract issue by **December 31**.  
  
Applications received but *not in good order* will not be guaranteed for issue before the **December 31** cutoff.  
  
*Application not in good order* includes receipt of funds requiring further review, additional legal requirements not received such as trust documents or POAs, incorrect or incomplete forms, and agent licensing or contracting issues such as missing or pending agent numbers.
4. **Service Requests:** All requests for address, beneficiary, and ownership changes, received at the Home Office in good order by **December 19** will be processed by **December 31, 2007**.
5. **Disbursement:** Disbursement requests for surrenders and partial withdrawals will be processed and checks issued by year-end if forms are received in good order at the Home Office by **December 19, 2007**.
6. **Additional payments** received in the Home Office by **December 27** will be applied to clients' accounts by **December 31, 2007**.

**Because of tight timeframes, we strongly encourage you to use overnight mail.** With all the holiday mail, even many overnight carriers are not guaranteeing overnight delivery.

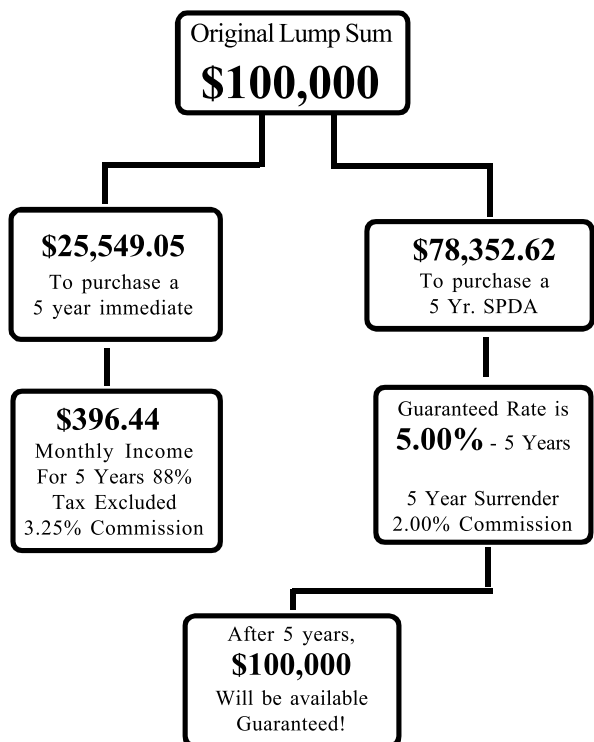
**American General Life**  
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AIG American General  
Annuity Service Center B-F5  
P. O. Box 3018  
Houston, TX 77253-3018

**United States Life**  
Regular Mail  
AIG American General  
Annuity Service Center  
P.O. Box 4532  
Houston, TX 77210-4532

**Overnight Mail**  
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**Overnight Mail**  
AIG American General  
Annuity Service Center

## 5 YEAR SPLIT ANNUITY



Not Available In All States

## 5 YEAR INDEX ANNUITY

An easy to understand annual reset with

**NO SPREAD - NO AVERAGING**

**100% of the S&P 500**

**8.00% Cap\* / Annual Reset**

**4.50% Commission (0-80)**

**5 Year Walk Away**

100% @ 2.00% Minimum Guarantee

Surrender: 8%, 7%, 6%, 4%, 2%, 0%

\* \$100,000 + under \$100,000 cap is 7.00%

Illustrations Available

A Rated Company

## NEW Index Coming 2008

**Money Back Guarantee  
from Day One!**

**5.00% Premium Bonus**

**Guaranteed Lifetime Income:**

- Choice of Level Benefit or 2% Cost of Living increases!
- Spousal Continuation of Benefit option!
- Based on at least **105% of Premium** growing at **5.00% Guaranteed!**

**10 Year Walk Away  
No Annuitization Required**

**8.00% Commission (0-75)**

**For 2008 - See ad inside or visit  
www.fsdfinancial.com for details!**

**Specials / Call Jeff For Details**

**5.00% Guaranteed For 5 Years  
2.00% Commission**

**4.85% Guaranteed For 7 Years  
4.00% Commission**

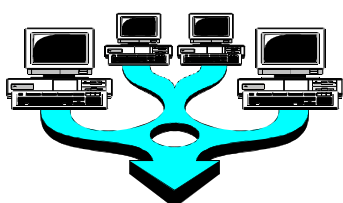
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*Quality ♦ Integrity ♦ Expertise*

Products not approved in all states.

Rates are subject to change at anytime.

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