



The FSD Journal

A monthly guide for insurance agents

reviewing annuity product quality and performance

July

Quality ♦ Integrity ♦ Expertise

2003

In this months issue:

- Annuity Review sales ideas, product comparisons
- SPDA & EIA Rates & Commissions!
- Still some strong minimum guarantees
- JP's new Equity Indexed Annuities
- Past Equity Indexed Annuity Returns
- Life Corner - Guaranteed Issue

Multi-Year Lock-in

3.35% FOR 4 YEARS

3.45% FOR 5 YEARS

3.80% FOR 6 YEARS

"Strong Minimum Guarantees"

Interest rates continue to drop. Several companies have reissued products with lower minimum guarantees. For example, Integrity Life and American National have both dropped their contracts minimum guarantee to 1.50%. This is a dangerous situation should rates increase because your client could be earning half as much as the standard 3.00% minimum guarantee that have been part of most annuity contracts. Visit www.fsdfinancial.com for a complete list of all states nonforfeiture laws.

Some very strong minimum guarantees still exist. Liberty Life's **SPDA** is a 7 year product that has a 3.50% minimum or a 3.25% minimum with a 1% bonus in the first year. Lincoln Benefits **Savers Choice Plus** is a 9 year product with a 1.5% first year bonus and a tiered interest rate. For amounts over \$50,000 there is a minimum guarantee of 3.50% and under \$50,000 minimum guarantee of 3.00%. (see spreadsheet inside for details and current first year rates.)

"A++ Equity Indexed Annuity"

A++ Rated Jefferson Pilot has a great new index annuity with simple to understand crediting methods. The two strategies are **a one year performance** (simple index account) if the S&P 500 is not down the interest received will be 5.00% and **a 2 year reset account** in which interest received will be based on the percentage change from the beginning of the two-year index term to the end of the two-year index term up to the 15.00% cap. It is that simple. The Smart Course 810 pays a 6.00% commission and has a 10 year declining surrender charge. FSD knows that most products are sold by comfort level, we will train you on how this indexed annuity works. Simple for you and the clients to understand, with a top rated company. Also available in 6 and 8 year terms see enclosed spreadsheet for details.



FSD FINANCIAL SERVICES

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All The UP's - None Of The DOWN's

Past Performance of an Annual Reset with a cap and no averaging indexed annuity.

Assume your client invested \$100,000

1997 -- 15.00% -- \$115,000.00

1998 -- 12.65% -- \$129,547.50

1999 -- 12.15% -- \$145,287.52

2000 -- 5.98% -- \$153,975.72

2001 -- 0.00% -- \$153,975.72

2002 -- 0.14% -- \$154,191.28

2003 -- currently in positive territory

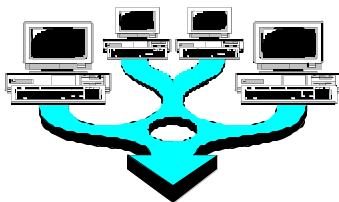
This is a 7.48% average return in a fixed annuity. Indexed annuities are for clients who are looking for better than current fixed returns with no risk. Let us get you comfortable with index annuities so you will feel comfortable selling them to your clients.

FSD LIFE CORNER

FSD is first and foremost an annuity marketing organization. From time to time our agents need some life product. As an added program, we now offer SPWL from Liberty Life – a great life product for annuity sales people. Call Darren or Jeff or visit our website for details of this product.

Commission is 6%. Presidential Life has recently raised its **guaranteed issue** life program to a \$50,000 maximum. Call for details.

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Next Month in: The *FSD Journal*

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The Annuity Review

A variety of sales ideas, product discussions/comparisons and miscellaneous thoughts

S elling Fixed Annuities in the Summer of 2003

As you are all very much aware the world of fixed annuities has had many major changes over the past year or so. Interest rates are at lows not seen for 50 years. Companies have been forced to pull many products because their minimum guarantees are too high. Commissions have been reduced in many cases in order to keep some products in the market. Companies are less inclined to overlook missed deadlines in application submissions.

It is certainly time to rethink our industry and it's offerings. Readers of my column have heard my constant call for more SPIA's to be considered. Please visit our website at www.fsdfinancial.com for my pieces on the reasons immediate annuities are the present and future. One thing to consider with an immediate annuity is how it can increase the fixed income investor's returns especially when we consider the portion received tax free. On a 10 year split annuity about 85% of the income is tax free. This means far less money gets the same after tax income.

Yes, interest rates are down. Interest rates are down everywhere. Your fixed income client needs you more than ever. His CD rates and money market rates are really down. You can increase their income-guaranteed- with AAA quality products. You can double or triple their after tax income – safely. If you are looking for prospects consider where their needs lie. They need more income and they need it without risk. Call for some quotes, see what the SPIA can do.

Of course, we still have our investors who are not yet ready for any distribution. Can we help here? Absolutely! These low rates still beat what your client is looking at.

New case for EIA's.

Now is a great time to talk about EIA's. Consider the following: 1. Investors are starting to believe the bottom has been achieved. 2. Many investors believe the market will be better going forward. 3. The vast majority has been hurt and is not so eager to jump back in without a safety net. 4. Minimum guarantees on some EIA's are 3% (on 100% of premium). 5. Rates on traditional fixed products are only a little over 3%. 6. Clients can now get close to a market rate as a minimum guarantee with the upside potential of the S&P.

With interest rates where they are today there is virtually no give up of yield in order to participate in up markets. Agents in the past have told me that clients have asked, "where is the catch?" after presenting an EIA for consideration. Agents have told the client that there was no catch. Clients weren't happy with that answer, they wanted to know what the "give up" was. I always told the agents to explain that the "catch" was that we could lock-up a rate of, say 6%, but if you also want to participate in market gains you only would get 3% guaranteed but upside potential. Certainly not much of a "catch", but it was a give-up. Well, today it's basically a free ride. By that I mean, clients can get, say 3.5% guaranteed or 3% guaranteed with unlimited (or limited by caps) upside. This is a good deal for the client and a much better commission for you. A win-win situation. Check out JP's new EIA products. Great products from a great company. Also one to look at is the Selectra from ING. Call for supplies.

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President