DecisionPoint
Financial Wellness

The Power of Questions
QuickGuides
Helping You be Informed, Aware and Careful Consumer

Indexed Annuity

Know What You're Buying and Why

While annuities can provide valuable features and benefits under the right set of financial circumstances, they can also be wildly inappropriate under another set of circumstances.

This Guide provides a way for your advisor to justify *why* the annuity is right for you, and to explain the features, benefits/riders and costs associated with it. It may also help you avoid buying the wrong annuity.

When to Use

Use this guide when an annuity is being recommended to you.

How Long Does it Take?

About 25 minutes to review. Your financial advisor provides all the information.

Helpful Tips

While much of the information your questionnaire requests may be found in statements, agreements, contracts and disclosures, only your questionnaire:

- ☐ Asks straightforward questions that call for straightforward answers
- ☐ Creates awareness of key information
- ☐ Increases your ability to make more-informed and beneficial decisions

The questionnaire is based on industry best practices for disclosure. There are no "zinger" or "gotcha" questions.

FieldGuide Contents

Instructions

What to Know

An indexed annuity combines guarantees on your principal, a minimum guaranteed return, and/or the potential for a higher return that is "linked" to a selected market index. "Linking" means that the annuity monitors the index your contract is tied to and credits your contract when the index goes up, while not deducting from the value of contract when the index goes down.

Other things you need to know:

- ☐ Indexed annuities are complicated products. You can't be expected to know all the ins and outs of the contract. To protect your interests, you need to know enough about the annuity to feel confident that you are making an informed decision. This guide will help increase your decision-making confidence.
- ☐ Even if you rely on the expertise of your advisor to select the right annuity for you, it's your responsibility to read through the annuity contract and determine whether it's really right for you. The "free-look" period on an annuity contract typically gives you 10 to 30 days to decide whether you want to keep the annuity or cancel it without penalty.

What to Do

1. Provide your advisor with a copy of the questionnaire for them to complete. (Print pages 3 and 4).
2. Once completed, there are two ways to review the completed questionnaire:
    - ☐ During a face-to-face meeting with your advisor (recommended).
    - ☐ Have your advisor send it to you.

Note: if you *are not* working with the financial advisor recommending the annuity, use the following guides before you even consider the annuity recommendation:

- ☐ "Financial Advisors: Who's Who, and What They Do"
- ☐ "Finding Mr. or Ms. "Right" Part 1 and Part 2

What to Say

Using your own words, here's what you want to convey: *"To help me better understand my why the annuity you are recommending is right for me, I'd appreciate it if you'd provide responses to my questionnaire. Your willingness to do this goes a long way in showing me that I come first in our relationship, and that the trust and confidence I've placed in you is well-founded."*

Indexed Annuity Questionnaire

Is an Annuity Right for Me?

Please provide a response for each item on the questionnaire. When completed, I would like you to explain each response so that I can make an informed decision.

Name of Annuity: ____

Advisor Completing the Questionnaire: _________________________________

Date: ______________

1. Based upon your due diligence and your understanding of my goals, needs, preferences, investment objective and overall financial situation, what is your justification for believing this annuity is appropriate for me? (Use key phrases)

   ____
   ____
   ____
   ____
   ____

2. Do the annuity's features, benefits, contract terms, and cost structure compare favorably against other comparable indexed annuity products?

   ☐ Yes ☐ No

   Brief explanation: ____
   ____
   ____
   ____
   ____

3. Is the premium (payment) amount of $ _____________ appropriate for me based upon the total value of my invested assets, my investment/income objectives, overall financial situation and liquidity needs?

   ☐ I confirm it is.

4. What is the surrender charge period? (Period in which surrender charges apply):

   Years: ___________

Year-by-year (percent) 1: _____ 2: _____ 3: _____ 4: _____ 5: _____

6: _____ 7: _____ 8: _____ 9: _____ 10: _____ 11: _____ 12: _____

5. Are penalty-free withdrawals available during the surrender period?

   ☐ Yes ☐ No

   Terms/conditions: ____

   ____

6. Is this a "bonus" annuity? (Credits the annuity with an additional dollar amount based upon a percentage of the initial premium, or pays a higher initial rate.)

   ☐ Yes ☐ No

   Bonus rate terms (if applicable): ____________________________________

   ____

   ____

7. Does this "bonus" annuity result in a longer surrender period, or higher surrender charges, when compared against comparable products offered without a bonus?

   ☐ Yes ☐ No ☐ N/A

   If "Yes" provide an explanation: ____________________________________

   ____

   ____

   ____

8. What is the financial rating of the issuing insurance company?

   S&P: _______ ☐ N/A

   (Strong: AAA, AA, A; Adequate: BBB; Vulnerable: BB, B, CCC, CC, C)

   A.M. Best: _______

   (Superior: A++, A; Excellent A, A-; Good: B++, B+; Fair B, B-; Marginal: C++, C+)

I have answered each of the above questions truthfully and to the best of my knowledge.

____
Advisor/Agent Name

____ Date: _______________
Signature

Notes and Explanations

Reviewing the Responses

While the features, benefits and guarantees of an annuity are important, so are the costs, terms and conditions for providing them. So keep in mind these two sayings when considering the annuity: “There are no free lunches” and “The devil is in the details”.

The purpose of this questionnaire is to provide a way for the advisor to do two things:

1. Clearly explain why the annuity is appropriate for you.
2. Provide key information about the terms conditions of the contract that may have otherwise have remained unclear to you.

With this key information you can make a more-informed decision on whether the annuity is appropriate for you, and whether the terms and conditions of the contract are acceptable to you.

Note: the advisor has a regulatory responsibility to answer all questions about the annuity to your level of satisfaction. If you don’t understand the annuity, or it doesn’t seem to make sense or feel right to you, it may be in your better interests to avoid it.

? What do good answers look like? That’s easy.

- ☐ Every box is checked,
- ☐ Every field is filled, and
- ☐ All the answers have been explained to your level of satisfaction.

? Okay, but what if the advisor won’t sign the questionnaire?

If the advisor/agent hesitates signing the questionnaire, or gives the excuse that “it’s against company policy”, it may be a “red flag”. Why? Because the questionnaire simply asks for clear-cut responses to questions that help you make a more-informed and beneficial decision:

1. Why is the annuity right for me?
2. Is the dollar amount I’m putting in the annuity an appropriate amount for me?
3. What is the surrender period, and what are the penalties for early withdrawal?
4. Can I access some of my money penalty-free during the surrender period?
5. If this is a “bonus” annuity, does the bonus help me or cost me?
6. What’s the financial strength of the insurance company?

Won’t sign? Part of the value of this questionnaire is that helps protect you from falling victim to high-pressure sales tactics or buying an annuity that isn’t right for you.

Disclaimer

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