

**Are you a registered rep selling fixed-indexed-annuities?  
Has your indexed annuity business been negatively affected by your BD?  
Consider this,...and consider change, if necessary!**

You may be forced to send your fixed annuity or fixed-indexed annuity business through an MGA/FMO or fixed brokerage house, with whom you do not have a working relationship. You are doing this because all of your fixed-indexed annuity business, per your broker dealer, must now go through the BD, and your BD has a relationship with another brokerage house.

Tangent issues may not be so tangent, but more critical than you think. Take a look and consider the factors affecting your practice ...your livelihood:

- Your broker dealer will regulate which companies you may work with.
- Your broker dealer will regulate which company product, specifically, you may make available to your clients.
- Your broker dealer will want to see copies of every fixed, fixed indexed, and/or immediate annuity you sell.
- Your broker dealer will want to see any material you utilized in discussing the annuity products with your client, and approve or disapprove of that material, at their sole discretion.
- Your broker dealer may examine the allocation of fixed versus market sensitive investments in the client's portfolio, to determine whether or not they will allow the fixed-indexed sale to proceed to the home office. This means sometimes your sales will be approved and sometimes your sales will be rejected, because it may not suit the BD. This is especially true if there is a sweep of market sensitive products such as a variable annuity or mutual fund into a fixed-indexed annuity. If that happens to you, as it has to others, applications may be sent back to your client without your knowledge or authority to do any thing about it.
- Consider the fact that your broker dealer may or may not approve of a particular product, due to what the BD perceives to be a problem; length of surrender charges, percent of surrender charge, guarantees, etc. These are particular specifications, which you have discussed with particular clients, and both you and the client are aware of such issues, and you and the client have made a choice to use that particular product. Neither you nor your client had any idea that it was necessary to get the approval of the broker dealer, when you were considering your options.
- Your BD may not approve of your favorite products. Your BD may require you to sell from a list of broker dealer "pre-approved products", and you may not favor such "pre-approved" products, nor does your client. If the particular product does not perform as well your previous favorites, who is left to deal with the client? You. I believe such product approval on the part of broker dealers is dangerous territory.
- When you initially selected a broker dealer to work with, that broker dealer was open to you maintaining a relationship outside of the broker dealer with regard to your fixed annuity business. According to the broker dealer, with the strong suggestion that fixed indexed annuities be treated as if they were securities, you appear to have lost your independence. You appear to no longer be independent; you appear to be working for the broker dealer, and now it appears you have signed an employment agreement with your broker dealer, and that was not your original intention?

Before I begin, let me say that we have excellent relationships with various broker dealers, who take friendly approach towards fixed-indexed annuities. These broker dealers have come to count on us for support. Many broker dealers do not want to be involved with fixed or fixed indexed annuities because it is simply not the business they chosen to be in, but they feel it is being thrust upon them.

Broker dealers usually have little or no experience with these products and no infrastructure to support the delivery of such products. Most broker dealers subcontract the marketing and administration of fixed-indexed annuities, and just plain fixed products, to an MGA of their choice. Notice I said their choice, not yours.

According to various BD's, if it were up to them, they would simply stay the course, and involve themselves only with security related business. Due to notice to member "05-50" however, and the NASD suggestion that all broker dealers treat fixed-indexed annuities as if they were securities, many broker dealers feel they have the right to demand that fixed business go through the grid. The NASD to date still has no jurisdictional authority, and fixed-indexed annuities have not been declared securities by the SEC, even though it has been requested approximately 3 times by the NASD over the past ten years to do so. The insurance industry contends the obvious; that insurance products with guarantees of principal and interest are insurance products.

Perhaps the only reason the NASD and or your current broker dealer are forcing you to place your Fixed-Indexed Annuity business through them, - is because you are letting it happen, meaning you are not holding your ground, not putting up a fight.. Tell your BD you have a relationship that you are not willing to change. We all understand the word "relationship". Again, they do not have the infrastructure, and not every marketing house functions as both a consulting firm and also a nation distributor with its own proprietary, advisor software, as ABS does. Besides that, you like dealing with ABS for your annuity business.

Now we shouldn't paint every broker dealer with a broad brush, many BDs are fixed-indexed annuity friendly, and unless the SEC declares fixed-indexed annuities a security product, they are not treating them as securities. Broker dealers that are taking a more aggressive approach, should take stock of what they have said in the past regarding fixed-indexed annuities; comments such as; "I wouldn't touch an EIA with a ten foot pole.", or "I can do the same thing for my clients via diversification", or "I can purchase the options, and buy the bonds myself", "I would never recommend one of those to my client because they don't pay dividends". Today, many broker dealers still don't like fixed-indexed annuities, period.

What is next, will the NASD want to have authority over fixed annuities, simply because such products are brought up in conversations, regarding a clients overall financial plan? How about life insurance? Will the NASD suggest that these products go through the grid, through your broker dealer? Where will it end? Is all of this simply an evolutionary, defensive posture, to keep advisors from running out the door with assets that could otherwise bring the NASD/BD revenue? In the past, the NASD would rather you place your clients into investment products, VA's or Mutual funds.

What has changed? What has changed is the popularity of the fixed-indexed annuity, and it shows no sign of slowing. What has changed is an evolutionary natural bias towards these insurance products, that simply fit the bill for boomers and generally, conservative saver/investors. These conservative savers/investors are looking for upside potential with a safety net called a guarantee of principal, where all your gains are locked-in, an appealing concept to almost everyone. Investment products are not suitable for risk averse, mature, retirement minded clients whose #1 objective is safety and low cost!

Is it simply a method by some to capture commissions, to bring in revenue, and to keep the goose that lays the golden eggs? Remember who the goose is, independent advisors like you!