

42

Point
Questionnaire

Questions to Ask About Your Annuity

*Fees, penalties, and contractual limitations
you may not know about that could cost you money.*



42-point Questionnaire

Questions to Ask About Your Annuity

We play a little game called, “Let’s call the company.” We sit down together, turn on the speaker phone, and dial the company’s number. The company’s service representative will ask for verification of the client’s ID, and the client will give permission for the insurance company to speak with me directly about the annuity. Then we ask these 42 questions (or as many as apply to that particular contract).

Basic Information

1. Is this a qualified or nonqualified account?
2. Is it a fixed or variable annuity?
3. What is the current account value?
4. What is the surrender value?
5. How many years are left in the penalty period until the client will no longer pay a penalty for cashing it out?
6. What income payment does this client get today (\$ amount)?
7. How many other withdrawals to date?
8. Is this policy subject to annuity premium tax (some states)?
9. Is this policy subject to long-term capital gains tax?
10. What have been the total withdrawals to date?
11. What options are available to reallocate into a fixed account if this one is losing money?
12. What is the current interest rate on the fixed account?

Fee Administration

13. Do the fees come out when the account is down?
14. Do the fees come out in the fixed account?
15. With low interest rates, can the client still lose principal in the fixed account?
16. Are any of the fees guaranteed by contract to increase annually?

Fees

17. What is the contract maintenance fee?
18. What is the M&E (mortality and expense) fee?
19. What is the annual fund operating expense fee?
20. What is the administration fee?
21. Are there subaccount fees, and how much are they?
22. What is the turnover fee?
23. What is the surrender charge?
24. Is there a separate first-year surrender charge (and if so, what is it)?
25. Is there a mutual fund fee (and if so, what is it)?
26. What are the transaction fees, and how many has the account incurred in the last year?
27. Is there a long-term care fee (and if so, what is it)?

If there is a death benefit rider:

- 28. What are the fees for the death benefit rider?
- 29. What percentage is the rollup?
- 30. Is it simple or compound interest?
- 31. Does the rollup ever stop (at a certain age/after so many years of having the policy)?
- 32. What is the current minimum guaranteed death benefit?
- 33. Do withdrawals come out dollar-for-dollar or pro rata?
- 34. What is the minimum amount that has to be left in the account to keep the death benefit in effect?

If there is a minimum guaranteed minimum withdrawal benefit (GMWB):

- 35. What percentage does the GMWB increase (roll-up) annually?
- 36. Is it simple or compound interest?
- 37. Does the rollup ever stop (at a certain age/after so many years of having the policy)?
- 38. What is the income payout percentage?
- 39. Are the fees based on the income benefit base, or cash value? (If the answer to this is “cash value”): Do the fees go up each year even if it loses money in cash value?
- 40. Is income taken out dollar-for-dollar or pro rata?

Other Administration Questions

- 41. If the income account value is \$200k and account value is \$100k, does that mean if the client takes \$1 out, the income account value goes down by \$2?
- 42. What percentage is the total surrender charge if still in the penalty period?

Facts before you purchase an annuity

Perhaps this simplified illustration can help you decide whether or not an annuity might be right for your retirement strategy.

Account Value (AV)	\$400K
Income: (example, 5% per year) 5% x 400K for one year 5% x 400K x 5 for five years	\$20K income per year \$100K over 5 years
Fees (example, 4%) 4% x 400K for one year 4% x 400K x 5 for five years	-\$16K fees per year -\$80K over 5 years
Net gain: Income minus annual fees	\$4K per year \$20K over 5 years
Surrender charge: AV x 5%	<i>The surrender fees during the first few years could be \$20K for a \$1 Million contract.</i>

What Should You Do?

Some people who already own an annuity see the results of the “Let’s call the company” game and ask, “How do I get out of this contract?” Please understand we are not suggesting that you should cash out of your policy. What we do suggest is that you allow us to do a full analysis of your contract(s) to see exactly how your strategy is structured and how it has performed. Only then can we adequately recommend whether you should stay with your current arrangement or look at something that might work more to your benefit.

If you are thinking of purchasing a particular annuity, we can do an assessment and then let you make a more informed decision about your purchase.

We will show you:

- ✓ A chart of fees specific to your contract.
- ✓ A summary of fees on your contract.
- ✓ Benefits vs. cost analysis of the annuity.
- ✓ Items from the issuing company’s prospectus.
- ✓ A comparison of annuity contracts.
- ✓ Strategies that might work better for your circumstances (if applicable).



Let us help you get the full picture. We’ll be happy to play, “Let’s call the company” with you. Then, if you are interested in more information on alternatives, we’ll help you explore other strategies that could enhance your retirement income.

** Annuities are contracts between you and an insurance company. Annuity product guarantees rely on the financial strength and claims-paying ability of the issuing insurer.*

*** Annuity riders may be available for an additional annual premium that may provide additional benefits and income guarantees.*

This article is meant to provide general information on issues that many people consider in making the decision as to whether or not they should buy annuities; and if they do decide to buy, which types of annuities and which annuity benefits and additional riders. This information is not designed to be a recommendation to buy any specific financial product or service.

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