

Las Vegas and Fixed Annuities? At Least in One Case there is a Connection.

A SIMPLE SALES IDEA

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Fixed annuities, in general, are having another banner sales year and it's easy to see why. As of June 16, 2009, www.bankrate.com is reporting the average 1-year and 5-year CD yields of 2.01% and 3.02%, respectively. Shorter term U.S. treasuries, although having increased in yields over the past few months, are still pretty low.

With all the government borrowing, long-term rates must increase in the future. *But what's an investor to do now for 5-6 year planning?* That's where the fixed annuity sale can really be made with 5-year guarantees above 3.7% and 6-year rates above 4%. These are not the guaranteed yields received by investors last year, but are still strong yields compared to other financial instruments.

At a recent meeting this week, I heard one of the best sales ideas for a certain annuity contract (Lincoln Life's New Directions 6 with Performance Triggered Indexed Account). And while I like to keep my commentary very general, this was so simple that I'm convinced your annuity business could increase exponentially. Perhaps there are even other annuity carriers out there with a similar design.

Many of you have been to Las Vegas and played blackjack. With blackjack, if you beat the dealer you win, if you tie (push) you get your bet back, and if you lose against the dealer you lose your bet. Pretty simple – and simple to lose money too.

But what if the game was played a bit differently? If you beat the dealer you still won but even if you tied (pushed) you also won. And, if you lost to the dealer, what if the dealer gave you your money back and asked if you wanted to play again?

How long would you play the new and improved version of blackjack? When would you stop?

Now consider the Lincoln Fixed Indexed Annuity New Directions 6 with the Performance Triggered Indexed Account.

Each year, if the value of the S&P 500 index at the end of the one-year indexed term is higher or equal (push) to the beginning value, the customer will receive a specified rate of interest credited (currently 7.50% for amounts over \$100k) and if the S&P 500 had a loss, there would be 0% interest credited so the customer would have no effective loss.

So by betting on the yearly change in the S&P 500, the customer wins if the S&P increases or remains flat, after one-year or loses nothing if the indexed actually decreased.

As long as customers believe that equity indexes will outperform fixed assets over the long term, it could be a perfect fit for the customer – especially in these tough economic times where preservation of principal is so important to customers.

At a time when more products are becoming less consumer friendly, it's nice to see such a simple, powerful design. Contact Chris Wittman or Kim Phillips at 800.551.8289 for an illustration today.