

AVOID NED RYERSON

NOVEMBER 2005

Ned Ryerson: Do you have life insurance, Phil? Cause if you do, I bet you could use more-who couldn't?-but I got a feeling you don't have any. Am I right?

Phil Connors: You know Ned, I'd love to talk to you but I really have to...

Ned Ryerson: That's okay. I'll walk with you. When I see an opportunity, I charge it, like a bull. Ned the Bull, that's me now. Some of my friends live by actuarial tables, but I think it's all just a crap shoot anyhow...Ever heard of single premium life? That could be the ticket for you, buddy. God, it's good to see you! Hey, what're you doing for dinner?

The last time I used the movie *Groundhog Day* in the newsletter was back in November of 2001 in my piece *Beware of the Groundhog*. In that article I alerted people to the changes that were taking place within the financial markets after the dotcom collapse and September 11, 2001 (quite accurately I might add). You can access the article on the archive section of our website. *Groundhog Day* is required viewing kids. If you have not seen it, rent it and thank me later.

“Charge like a bull!” Seize and take advantage of all opportunities to sell any type of insurance product or annuity. **“Insurance, you can never have enough insurance!”** The Ned Ryerson's of the world will say anything; do anything to close the sale. That is their task at hand, the modus operandi for insurance salesmen and unscrupulous brokers across the land. Where else can you find an *“investment product”* that will pay up to 15% in commissions? An investment product that will let you *“set and forget”* the client, in essence take the money and run. Sell that annuity or unnecessary variable universal life plan and on to the next mark!

Efficient and profitable are words that describe the insurance and annuity business, great for the salespeople and the balance sheet for his or her firm, but almost always disastrous for the client who was expecting the advice of a professional. We are inundated with cases where elderly couples transferred their million dollar nest-eggs into an illiquid annuity or another high commission insurance product that will ultimately give them a low single-digit return with a double-digit surrender charge. We have been doing all we can to educate people in regards to the various scams that have proliferated in the insurance industry over the past few years. Despite our best efforts it has been very difficult to keep up. Unfortunately we are on our own when it comes to helping investors regarding these ill advised insurance products.

Insurance companies have devised a new product called the equity indexed annuity (EIA) that is being pitched as a **“risk free stock market investment”** in commercials and seminars throughout the country. First and foremost there is no such thing. These brand new investment products were constructed so they do not fall within the jurisdiction of the NASD. Salespeople without securities licenses are holding investment seminars at steak houses, country clubs and other places promising risk free investments with guaranteed returns in the stock market with these vehicles. Advertisements are being aired on radio and television promoting these seminars and their pie in the sky predictions and regulators can't do anything about it. These index annuities give the impression that you are invested in the market when in reality the interest rate is linked to the market index growth.

Here are some of the problems with indexed annuities: First, there is usually a cap on how much you can earn, even if the S&P 500 shoots up. Second, they don't measure the gains on the index to include dividends, historically a large part of the S&P return. As we have foretold here in the

newsletter and the radio show, more and more companies are issuing and raising dividends. Why would anyone want to give that up? Third, they come up with all sorts of gimmicks, like "point to point" which relies on single point in time to calculate interest. Therefore, even if the index that your annuity is linked to is going up throughout the term of your investment, if it declines dramatically on the last day of the term, then part or all of the earlier gain can be lost. Because interest is not credited until the end of the term, you may not receive any index-link gain if you surrender your EIA early. The bottom line is investors get limited upside, and the downside promise is just that you'll break even which in turn they charge huge fees to hedge their downside risk with put options.

It is also a complete lie that it is impossible to lose money in EIA's. Insurance companies only guarantee that you'll receive 90% of the premiums you paid, plus at least 3% interest. Therefore, if you don't receive any index-linked interest, you could lose money on your investment. One way that you could not receive any index-linked interest is if the index linked to your annuity declines. The other way you may not receive any index-linked interest is if you surrender your EIA before maturity. Some insurance companies will not credit you with index-linked interest when you surrender your annuity early. Equity indexed annuities are code in the industry for **"easy sale, fat commission."**

We have uncovered countless abuses in the variable annuity business from Waddell & Reed switching over 5000 of their clients in and out of variable annuities to generate over \$11 million in commissions, to major investment firms and banks targeting the elderly in their vast branch office locations and convincing them to roll their maturing CD's into annuity products. This past month we discovered that over 119,000 people were sold Pacific Life variable annuities within qualified retirement plans. The tax-deferral advantages of variable annuities are unnecessary and ill-advised in qualified retirement plans which are already tax-deferred savings vehicles. In this case brokers made 2 to 10 times more in commissions from the variable annuities than they would have selling mutual funds. One broker in Georgia made over \$2 million in commissions by targeting retirees of the Atlanta-based Georgia-Pacific Corp. The broker held personal finance seminars at the local Holiday Inn where he convinced people to transfer out of their employer's retirement plan and roll the funds into variable annuities.

Despite our best efforts to alert individuals about these products insurance companies are reporting record sales of over \$1.1 trillion this past year. I receive at least two to three sales pitches a day from insurance and annuity companies trying to lure me to the dark side. The following is a sales pitch I received this past month...

Subject: Financial Advisor, you have to see this agent's story

"Rookie Agent Gets A Money Shower From His Wife after Receiving His First Big Commission of \$27,727 from Selling Annuities!"

When she went to the bank to deposit his commission check, she secretly kept out \$1,000 in single dollar bills. She then took the dollar bills and filled her pillow with loose dollars. That night when her and her champion, annuity selling husband settled into bed she gave him a surprise of his life. Just as soon as his eyes closed and that big smile that he had been lugging around for weeks had settled down to a grin, it happened. She grabbed her money filled pillow case and dumped it all over her prince. In the same instance she jumped on top of him, tossing money in the air and shouting her love for him. Who knows what happened next?

It's easy to make \$15,528.00 a month or more, when you know how to get seniors and retirees to CALL YOU, and practically beg you to sell them annuities and other insurance

products! The beauty of all this is that wealthy seniors CHASE YOU, and literally attack you to make appointments, fill out apps and sign checks!

It goes on like this for quite awhile but I think you get the idea. I found the use of soft core porn as an interesting twist in selling insurance products. Maybe they should advertise these things late night on Cinemax and I wonder if Ned Ryerson ever thought of that.

Don't be victimized by the Ned Ryerson's of the world! If you have been sold one of these products or need more information regarding annuities and insurance please contact us at (800) 447-0579 as soon as possible. Before buying into Ned's pitch, get the facts.