

December 2, 2008

Indexed annuities comments:

As an advisor of 30 years, I am in favor of subjecting Indexed Annuities to the same regulations that other insurance products and securities must comply with in order to offer them to the investing public.

I have seen many instances where these contracts are being sold, some times by advisors who have previously surrendered their licenses due to Compliance/Complaint issues, to investors who are not aware of the ins and outs of such contracts.

Among the most galling issues, having elderly clients surrender other investment products incurring a deferred sales charge, then purchasing these unregistered securities where the agent makes a double digit commission and the client will be subjected to a CDSC period that in some cases is longer than their life expectancy.

Investors are attracted to the contracts by the initial guarantee of sometime double digit first year's credit to the contract. But I would argue that most do not know what indices, or what percentage of gain they might be deriving from the contract in subsequent years.

What also bothers me is the frequency with which the contracts are sold to purchasers who put an outsized amount of their financial net worth in these vehicles. In these situations, an unexpected need for a lump sum amount of money could produce an occasion where the investor is paying a fee 5-8-10% for access to their own money.

Level the playing field. Subject these investment vehicles, and the folks offering them, to the same regulations that other legitimate investments must meet to be offered to the investing public. In doing so, you will also have the tangential benefit of keeping unscrupulous advisors who have lost their licenses previously because the regulatory system works.

Respectfully submitted.

Best,  
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