

*Center for Financial Advisor Education*

# ***LUTC 256 Workbook***

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***Essentials of Annuities***



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The LUTC program at The American College offers the LUTCF professional designation. Its curriculum is designed to introduce students to the technical side of financial services while at the same time providing them with the requisite sales training skills. Attainment of the LUTCF signifies a commitment to professionalism, continuing education, and excellence in ethical conduct. In addition, it prepares students to undertake more advanced College programs.

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## Essentials of Annuities

### Assignment Schedule

This workbook contains quizzes, exercises, projects, and case studies that are intended to supplement the material in Chapters 1 through 8 of the LUTC 256 textbook, *Essentials of Annuities*.

Class	Assignments	Page In Text	Page In Workbook
1  _____ Date	<b>Introduction to Annuities</b> Readings: Overview and Learning Objectives Introduction Client-Focused Planning Prospecting in the Annuities Marketplace Conclusion Case History Chapter One Review Special Notes to Advisors Course Overview and Expectations Acknowledgment of Course Requirements (Due Class 2) Sales Planning Project 1—Sales Presentation Binder (Begin, Due For Use in Classes 4 and 6) Sales Planning Project 2—Prospecting For Annuities (Begin, Due Class 2)	1-1 1-3 1-15 1-21 1-45 1-47 1-51	W-7 W-9 W-15 W-17 W-19
2  _____ Date	<b>Annuity Markets</b> Readings: Overview and Learning Objectives Marketing Concepts Nonqualified Retirement Planning Qualified Retirement Planning Additional Markets for Annuities Preapproach and Approach Strategies to Market Annuities Seminar Marketing Chapter Two Review Breakout—Class 2 Quiz—Classes 1 and 2 (Due) Action Project 1—Approaching Deferred Annuity Prospects (Begin, Due Class 4) Acknowledgment of Course Requirements (Due) Sales Planning Project 2—Prospecting For Annuities (Due)	2-1 2-3 2-13 2-17 2-31 2-45 2-59 2-75	W-27 W-29, W-31 W-35

<b>Class</b>	<b>Assignments</b>	<b>Page In Text</b>	<b>Page In Workbook</b>
3  ____ Date	<p><b>Fixed-Interest Deferred Annuities; Effective Interviewing Techniques</b></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>Overview and Learning Objectives</li> <li>Fixed-Interest Deferred Annuities</li> <li>Annuity Contract Provisions</li> <li>Selling Fixed-Interest Deferred Annuities</li> <li>Meeting with the Prospect</li> <li>Chapter Three Review</li> </ul> <p>Breakout—Class 3</p> <p>Quiz—Class 3 (Due)</p> <p>Action Project 2—Qualifying Three Prospects That You Know for Annuities (Begin, Due Class 5)</p>	<p>3-1</p> <p>3-3</p> <p>3-9</p> <p>3-25</p> <p>3-29</p> <p>3-63</p>	<p>W-43</p> <p>W-45</p> <p>W-49</p>
4  ____ Date	<p><b>Indexed Annuities; Fact Finding</b></p> <p>Readings:</p> <ul style="list-style-type: none"> <li>Overview and Learning Objectives</li> <li>The Emergence of Indexed Annuities</li> <li>Selling Equity-Indexed Annuities</li> <li>The Fact-Finding Process</li> <li>Retirement Planning Fact-Finder</li> <li>Case History</li> <li>Chapter Four Review</li> </ul> <p>Breakout—Class 4</p> <p>Quiz—Class 4 (Due)</p> <p>Retirement Planning Fact-Finder</p> <p>Sales Planning Project 3—Assessing Your Own Retirement Planning Need (Begin, Due Class 6)</p> <p>Special Preparation for Class 5—A Seminar Presentation about Variable Annuities (Due Class 5)</p> <p>Sales Planning Project 1—Sales Presentation Binder (Due)</p> <p>Action Project 1—Approaching Deferred Annuity Prospects (Due)</p>	<p>4-1</p> <p>4-3</p> <p>4-23</p> <p>4-29</p> <p>4-53</p> <p>4-67</p> <p>4-69</p>	<p>W-53</p> <p>W-55</p> <p>W-59</p> <p>W-73</p> <p>W-77</p>





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# Special Notes to Advisors

## Workbook Materials Disclaimer

While every precaution has been taken in the preparation of this material to ensure that it is both accurate and up-to-date, it is still possible that some errors eluded detection. The American College assumes no liability for damages resulting from the use of the information contained in this workbook. The American College is not engaged in rendering legal, accounting, or other professional advice. If legal or other expert advice is required, the services of an appropriate professional should be sought.

## Caution Regarding Use of Illustrations

The illustrations, sales ideas, and approaches in this workbook are not to be used with the public unless you have obtained approval from your company. Your company's general support of The American College's programs for training and educational purposes does not constitute blanket approval of the sales ideas and approaches presented in this workbook, unless so communicated in writing by your company.

## Use of the Term Financial Advisor or Advisor

Use of the term "financial advisor" as it appears in this workbook is intended as the generic reference to professional members of our reading audience. It is used interchangeably with the term "advisor" so as to avoid unnecessary redundancy. "Financial advisor" or "advisor" takes the place of the following terms:

Account Executive	Life Insurance Agent
Agent	Life Underwriter
Associate	Planner
Broker (stock or insurance)	Practitioner
Financial Consultant	Producer
Financial Planner	Property & Casualty Agent
Financial Planning Professional	Registered Investment Advisor
Financial Services Professional	Registered Representative
Health Underwriter	Senior Advisor
Insurance Professional	

## Answers to Questions in the Course

The answers to all essay and multiple choice questions in this course are based on the text materials as written.

## Course Comments

The American College welcomes your comments about this course, particularly suggestions for its improvement. The blue comment cards at the end of this course guide can be used for this purpose.



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# Course Overview and Expectations

Welcome to LUTC 256, *Essentials of Annuities*. This introductory section begins with an overview of the course objectives. Then it discusses the components of the course, reviewing the various assignments and activities that will help you apply what you learn. It closes with a discussion of what is expected from you.

## Overall Course Objectives

The American College's LUTC program has become synonymous with quality training, enabling thousands of students to gain the necessary skills associated with being a competent and ethical financial advisor (see page W-7 for an explanation of the meaning of the term "financial advisor" or "advisor" as used throughout the materials of this course). This tradition lives on in the *Essentials of Annuities* course. By the end of the course, you should be able to

- identify demographic market groups and prospects for both deferred and immediate annuities and be able to approach them based on several areas of concern
- incorporate fact-finding questions into a retirement planning interview
- explain principal features and benefits of a fixed-interest deferred, indexed, and variable deferred annuity policy to a prospect
- explain principal features, benefits, and payout options of a fixed-interest deferred and variable deferred immediate policy annuities to a prospect
- help a prospect work through any concerns and objections to purchasing annuity products
- understand several alternatives and various resources for funding seniors' retirement income
- describe the importance of annuities as they relate to such financial planning concerns as income tax, estate, long-term care, and life planning
- describe the regulation of annuities at the federal and state levels

The achievement of these objectives depends on the time and energy you invest in completing the assignments associated with the various components of this course. The next section provides you an overview of the course components and the assignments related to them.

## Course Components and Assignments

The American College's LUTC courses offer practical on-the-job training. Therefore, they require students to take action and participate fully. Except for the final examination, each component of the course is designed to facilitate action and participation, which will translate into more new clients and better client relationships. The course components include:

- the classroom
- the text
- the workbook
- the final examination

### The Classroom

The classroom is where the idea-sharing that gives LUTC courses their unique value takes place. Of course, the value you receive in the classroom depends on your preparation and participation.

Students in an LUTC classroom represent various levels of knowledge and experience in the financial services industry. Sharing with one another will afford everyone an opportunity to grow in proficiency, professionalism, and productivity. In fact, the classroom's "magic" only happens if everyone is prepared and participates.

### The Text

The discussions in the classroom will focus on applying the concepts discussed in the text. Thus, you are expected to have read the text assignment before class. In addition to the regular textbook information, chapters will also contain a chapter review and many will include a case history.

**Chapter Review**—In order to reinforce what you learn, each chapter in the text includes a chapter review that consists of short answer, multiple choice, and matching questions. You are not required to complete these before class. Many students use these questions to review for the final examination. Their answers are provided at the back of the text.

**Case History**—A chapter may contain a case history, which can be an actual sales situation or a description of how a successful advisor markets, prospects, interviews, services, and so forth. It is designed to stimulate thinking and discussion about sales ideas and activities. As you read the case history, think about how you would handle a similar situation. Does it suggest a method you want to adopt or avoid? Why? The case history will be discussed in class per your moderator's discretion.

### The Workbook

The workbook contains an assignment schedule and all of the mandatory assignments that must be completed for each class. The assignments are primarily breakouts, case studies, quizzes, action projects, and sales planning projects.

All page numbers in the workbook start with a **W**. For example, this is page W-10.

**Assignment Schedule**—The Assignment Schedule lists your assignments for the entire course and is located in the front of the workbook. There is a space on the Assignment Schedule to write the date for each class session, which your moderator will announce at the first class.

Except for the assigned readings in the text and assignments your moderator gives you, all other activities can be found in the workbook. Let's take a look at them.

**Breakouts**—For nearly each class you will find a Breakout—a set of questions and/or exercises designed to focus your attention on topics your moderator will most likely cover in class. The Breakouts will ask you to apply what you learn. For example, many of them will ask you to explain a concept as you would to a client or prospect. You may then be required to participate in a role-playing exercise based on your answer to the Breakout. You will be expected to have Breakouts completed before coming to class.

**Case Studies**—Some classes may use Case Studies. A Case Study provides a specific set of facts and circumstances about a sales situation. You are then asked to come up with specific recommendations and support your rationale for them. The Case Studies will be part of the class discussion per the moderator's discretion. You are expected to have them completed for a class in which they are assigned.

**Quizzes**—There is a Quiz that must be completed prior to each class (except Class 1). The question type may be true/false, multiple choice, fill-in-the-blank, matching, and so forth. Quizzes are due at the beginning of each class.

**Sales Planning Projects**—Sales Planning Projects focus on the behind-the-scenes activities that support and enable successful interaction with prospects. They explore the planning involved with marketing, prospecting, interviewing, and servicing financial services products. In addition, a Sales Planning Project can also provide learning experiences that sharpen your ability to advise prospects and design appropriate plans for them. Thus possible activities could include market research, record keeping, interviews of other financial advisors and professionals, and so forth.

Forms are provided for each project. You will be given one week or more to complete each assignment. Begin working on the project the day it is assigned. If you wait until the last minute, you will have missed the purpose and have lost the real benefit.

**Action Projects**—Action Projects focus on the skills and techniques you use when working directly with a prospect. They explore the areas of contacting the prospect for an appointment, working with a prospect during an interview, and asking for referrals. In every action project there will be a specific, brief assignment that calls for personal contact with a number of prospects for a definite purpose. Sometimes an approach will be suggested.

Action Projects will typically fit into a financial advisor's daily routine. Very little preparation or extra research is involved. Sales are inevitable, but they are *not required* for completion of the Action Project. Only action is required.

## Project Assignment Summary

<b>Sales Planning Project</b>	<b>Title</b>	<b>Assigned Class</b>	<b>Due in Class</b>	<b>Page</b>
1	Sales Presentation Binder	1	4, 6	W-17
2	Prospecting For Annuities	1	2	W-19
3	Assessing Your Own Retirement Planning Need	4	6	W-73
4	Interview an Advisor Who Sells Annuities	6	8	W-97
5	Letting the Annuities Marketplace Know You Are There	7	8	W-107

  

<b>Action Project</b>	<b>Title</b>	<b>Assigned Class</b>	<b>Due in Class</b>	<b>Page</b>
1	Approaching Deferred Annuity Prospects	2	4	W-35
2	Qualifying Three Prospects That You Know for Annuities	3	5	W-49
3	Option 1: Contacting Three Senior Prospects about Using Immediate Annuities for Retirement Income	5	7	W-85
	Option 2: Contacting Three Senior Prospects about Using Deferred or Immediate Annuities to Fund Long-Term Care Insurance	5	7	W-89

### **The Final Examination**

At the end of the course, you will take a 50-question multiple-choice examination consisting of the three multiple choice formats (straight answer, multiple option, and except) you will find used in the workbook quizzes and chapter reviews in the text. All answers are based on the material found in the text. The final examination will not be difficult if you have read the text and completed all of the quizzes and chapter reviews. You must pass the final examination with a score of at least 70 percent in order to pass the course.

## Passing Requirements

**Attendance**—Your participation in the classroom discussion is crucial to the effectiveness of the LUTC program. Therefore, your attendance is also vital. To successfully complete the course, you must attend at least six of the eight regular classes. Lateness of more than 20 minutes is half an absence, as is leaving early. Missing more than 40 minutes is a full absence. If you end the course with two and one-half absences, you have exceeded the allowable limit of two.

**Moderator's Grade**—Your moderator will record your grades for quizzes, projects, and participation in class sessions. These grades will be combined to obtain the average grade for all classroom-related work, the Moderator's Grade.

**Examination Grade**—There will be a 50-question final examination at the end of the course. The questions will be multiple choice. A grade of 70 percent or higher is necessary to pass the exam.

**Term Grade**—The average of the Moderator's Grade and the final examination score must be no less than 70 percent to obtain credit. This average is called the Term Grade.

**Three Requirements**—In summary, to qualify for successful completion of the course, you must meet each of the following three requirements:

1. Meet the attendance requirement for your course.
2. Score 70 percent or more on the final examination.
3. Receive a Term Grade of at least 70 percent.

## Expectations

### Before Class

Complete all assignments before the class meets. The average amount of time you should plan to spend on completing these activities is *at least* two and one-half hours per class—about the same amount of time spent in classroom discussion. Some classes will require more time, others less time.

Activities include the following:

- Read and study the assigned pages in the text.
- Complete any Breakouts and Case Studies.
- Complete the class Quizzes.
- Complete any Sales Planning Project assigned.
- Complete any Action Project assigned.
- Complete all other assignments required by your moderator.

### During Class

**Assignments**—Turn in your assignments at the beginning of class. Your moderator has been directed to penalize late assignments by 50 percent. If papers are more than a week late, they receive a zero.

**Moderator**—Your moderator is an outstanding individual nominated by the local NAIFA association and appointed by The American College. He or she is not a teacher by profession, but a full-time financial advisor or management person. Your moderator shares with you the demands of self-discipline and constant pressure of time. Consequently, the moderator cannot afford the luxury of catering to anyone who is negligent about completing work on time, maintaining reasonable order, or respecting the rights of others. The moderator deserves the full cooperation of every student.

## **Performance of Action Projects by Non-Sales Students and Managers**

All students are expected to do the Action Projects. This applies to students who are non-producers and to those in management. It includes, for example, office staff, home office executives, state insurance commissioners, finance officers on military bases, and others who may not be licensed to sell insurance.

If you cannot do the projects yourself, you are expected to handle the projects in one of the following ways (listed in order of preference).

1. Select an LUTC student who is with your company or in your community to work with in doing this project. Base your reports on this joint work.
2. If there is no local LUTC student from your company to work with, do joint work with one of your company's advisors who is not taking the course. This could be a former LUTC student or someone without any LUTC experience.
3. If you are in management, and if it is not possible to work with an advisor/student, assign the projects to one or more of the advisors under your supervision and report these results.
4. If you have no advisors to work with and no advisors under your supervision, arrange to interview one or more advisors each week and use the interview as the basis of the project report. On the project reporting form, write what the advisor did.
5. If the four preceding options are unworkable for you, it is up to you to suggest alternate solutions that you and your moderator agree on. For example, you may develop two presentations to write out or present to the LUTC class during this course. These may be on special topics, or you may research a particular insurance topic or sales topic and write it out, giving photocopies to all class members. Topics can include state laws, statistical information about insurance, actuarial studies, articles in insurance magazines, self-improvement topics, relationship insights, or even a question that came up in class and needs research to be clearly understood.

Keep in mind that these five alternatives are special options for isolated instances. Almost every student in an LUTC class is licensed to sell insurance and is expected to complete the Action Projects as assigned for a passing grade. You are expected to do the prospecting activity and make the follow-up approaches yourself.

If you need to do the projects in one of the ways suggested above, discuss it in advance with your moderator and reach agreement on how to proceed. As a safeguard, put your agreement in writing, include both of your signatures, and file the agreement.

## **Note to LUTC Students**

*Please read this page carefully, sign it at the bottom, and return it to your moderator. Occasionally there are misunderstandings concerning the requirements for successful completion of the course. The purpose of this memorandum is to ensure that the LUTC requirements and the ground rules laid down by the moderator are clearly understood. Failure to sign this form does not relieve you from these requirements*

### **Acknowledgment of Course Requirements**

*–To be signed by student–*

It is my understanding, from the explanation received in the first class session and outlined in the Course Overview and Guidelines section of the workbook, that successful completion of this LUTC course requires meeting the attendance requirements, achieving a passing examination score (70 percent), and earning an overall average (term grade) of 70 percent on all work for the course. Specifically, I understand that:

1. Credit for the course will not be given to any student who fails to attend at least six of eight class sessions. The maximum number of absences is two. Missing more than 20 minutes of class is a half-absence. Missing more than 40 minutes of class is a full absence. It does not matter whether absences are due to illness, injury, business appointments, company or agency meetings, vacations, or conflicts in personal schedules. No attendance credit is given for attendance at an exam review session. I further understand that neither the LUTC chair nor the moderator has authority to excuse absences because the requirement applies impartially to all LUTC students.
2. Grades are assigned during the course by the moderator. Grades for participation in class discussions (and preparation for them), and scores made on action projects, sales planning projects, and quizzes are averaged. That number is then averaged with the final examination to arrive at the Term Grade.
3. Written assignments are to be handed in at the beginning of the class session in which they are due. Late papers are automatically reduced by 50 percent up to one week late and to zero after that.
4. To receive credit for the course, I must sit for and receive a passing grade on a final examination acceptable to The American College's LUTC program. The correct answers to the final examination questions are based solely on the information found in the text. The American College reserves the right to set aside the final examination of any class and require another examination.
5. Course results will be mailed out within four weeks after the final exam date, assuming all course requirements have been met, including payment of tuition. These reports will indicate a "passing" or "not passing" status only. No numerical grade is assigned.

I have read the course requirements and understand them.

I further understand that recruiting or attempted recruiting of personnel of another company is not permitted in the LUTC program or in connection therewith.

Finally, I understand that any student whose behavior adversely affects reasonable order and harmony in the LUTC class will not be allowed to continue with the course. There will be no tuition refund, and the student may be barred from future participation in LUTC courses.

\_\_\_\_\_  
Print your name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Student's signature



# *Sales Planning Project 1*

## **Sales Presentation Binder**

(Assigned Class 1—Due For Use in Classes 4 and 6)

### **Purpose**

Completing this project will help you in several different ways:

- You may discover new marketing and sales support materials.
- You will practice using sales aids in a few role-playing exercises in Classes 4 and 6.
- You will have all of your Annuity sales materials in one place.

### **Assignment**

Throughout the course you will be developing an annuity Sales Presentation Binder, a three-ring binder filled with your **company-approved** marketing materials to use with your prospects and clients. Assemble the materials you plan to use for your retirement planning interviews. You will be using the same materials to role-play in Classes 4 and 6.

**DUE CLASS 4: Indexed Annuities and Fact Finding**—Be prepared to use your sales presentation binder in a role-playing scenario during Class 4. The role-playing exercise will give you practice in fact finding and qualifying a prospect. Your moderator will assign a prospect profile for you to respond to using the resource materials in your sales presentation binder as you participate in a team exercise.

**DUE CLASS 6: Immediate Income Annuities and Plan Presentation Techniques**—You will again have the opportunity to use your sales presentation binder in several role-playing assignments during Class 6. The role-play exercises will allow you to respond to common objections to buying annuities that you will often encounter while working with prospects. Some common objections you will be asked to respond to include: “Let me think about it,” “It’s too early to plan,” “The cost of funding retirement is not that expensive,” and “Social Security will take care of most of it.” You will be asked to use your company’s marketing materials and third-party source materials that you will have compiled in your sales presentation binder in order to overcome these objections. Your moderator will assign one or more case study vignettes for you to respond to as you participate in team exercises to practice making your presentations.

### **Procedure**

Purchase the following:

- A sturdy three-ring binder (at least one inch in thickness)
- Presentation sheet protectors (the heavy-duty kind)
- Tab dividers to separate sections

Then create tabs for the various topics. Include the following general tabs:

- Company information
- Personal biography (company approved)
- Letters of recommendation from satisfied clients (preferably from your target markets)

Add other tabs for other topics. Here are some possible topics:

- Fact-Finder (paper copy)
- Social Security Benefits
- Annuity Product Fact Sheets
- Annuity Product Concept Papers
- Objections
- Product Information
- Third-Party Source Material

Finally, begin filling your binder with **company-approved** visual aids. These will help your prospects and clients understand their financial needs and objectives more clearly, and will show them what vehicles are available to help meet these needs and accomplish these objectives.

You may find articles or other third-party sources that you would like to include in your presentation book. **Do not include them without first receiving company approval.**

# *Sales Planning Project 2*

## **Prospecting for Annuities**

(Assigned Class 1—Due Class 2)

### **Purpose**

By completing this sales planning project, you will begin the most essential part of the selling process—identifying prospects. In Action Project #1, assigned in Class 2, you will be asked to approach some of these prospects.

### **Assignment**

Based on the overview of the three distinct age-based market segments for deferred annuities (under age 45, ages 45-64, and age 65 and older), and the two distinct age-based market segments for immediate annuities (under age 65, and age 65 and older), make a list of potential prospects for both deferred and immediate annuity products from any three (or more) of these five market segments.

### **Procedure**

Using the report forms that follow, identify prospects from the three distinct market segments overviewed in Class 1. Complete the report form as follows:

- *Name*—Use initials such as “Mary C.,” or if there are two names that are similar, perhaps “Mary Car.” The important thing is for you to be able to distinguish between the two.
- *Client*—Check if the person is an existing policyowner or client.
- *Estimated Income*—Enter the estimated income (if you know).
- *Estimated Net Worth*—Enter the estimated net worth (if you know).
- *Marital Status*—Enter marital status: married, single, widowed, and so on.
- *Retired*—Check if the prospect or existing client is currently retired.
- *Primary Concern*—Determine (if you can) what is the prospect’s potential problem area of financial concern that may cause him or her to purchase an annuity in order to solve it. Use initials to identify standard concerns such as RP—for retirement planning, TD for tax-deferral, TR—for tax reduction, and GI for guaranteed income.
- *Annuity Product that might be of interest*—For each prospect, list the best annuity product to address each planning concern expressed by the prospect. Examples include, FDA for fixed-interest deferred annuity, EIA for equity indexed, VA for variable, FPA for fixed period annuity, FLA for fixed life (immediate) annuity.

Record the answers to the information requested on the report form. Then respond to the project by answering the questions on the report form.

**IMPORTANT: Make a copy of this completed prospect list. You will need it for Action Project 1, assigned in Class 2.**

This assignment assumes that you will know the prospects you list fairly well. If you do not have sufficient qualifying information about a prospect to complete all the columns on the form, then leave blank any information you do not know. You may want to fill in the missing information after you have contacted the prospect so you can use this information to create a profile of the prospect with which you have the most success.



***Sales Planning Project 2***  
**Prospecting for Annuities—Deferred**

Report Form (2 of 5)

**Ages 45–64 Market Segment**

<b>Name</b>	<b>Client Y / N</b>	<b>Estimated Income</b>	<b>Estimated Net Worth</b>	<b>Marital Status</b>	<b>Retired Y / N</b>	<b>Primary Concern</b>	<b>Annuity Products</b>











## Breakout—Class 2

Answer the Breakout questions and be prepared to discuss them in class.

- 2-1. Briefly outline your strategy for prospecting within one of your selected age-based market segments for either deferred or immediate annuities.

Age-based market segment:

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Prospecting sources and methods:

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Preapproach techniques:

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- 2-2. Review the section on telephone approaches in Chapter 2. Write a telephone script for setting up an appointment to conduct an initial sales interview to discuss either annuities or retirement planning. Identify the particular market segment or target market and/or the source for the lead, if applicable.

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If you plan to prequalify the prospect over the telephone, how will you transition to the prequalifying questions? What prequalifying questions will you ask?

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Name \_\_\_\_\_ Date \_\_\_\_\_

**Quiz—Class 1**  
(Due Class 2)

Instructions: Read Chapter 1 first, then answer the following questions to test your knowledge. There are 10 questions; for questions 1 through 5, match the statement with the step in the 8-step selling/planning process to which it relates; for questions 6 through 10, circle the correct answer.

Match each statement below with the step in the 8-step selling/planning process to which it relates.

- 1-1. Delivery of any planning documents or policies occurs in this step. \_\_\_\_\_
- 1-2. The objective of this step is to get an appointment. \_\_\_\_\_
- 1-3. This step is where you begin to formulate concepts and products that might best enhance the prospect's current financial situation. \_\_\_\_\_
- 1-4. This step is where you establish rapport, explain your business purpose, and ask some thought-provoking questions. \_\_\_\_\_
- 1-5. Fact-finding occurs in this step. \_\_\_\_\_

- (A) identify the prospect
- (B) approach the prospect
- (C) meet with the prospect
- (D) gather information and establish goals
- (E) analyze the information
- (F) develop and present the plan
- (G) implement the plan
- (H) service the plan

1-6. Which party to an annuity attains legal rights in the contract upon the death of the annuitant?

- (A) spouse of annuitant
- (B) spouse of owner
- (C) beneficiary
- (D) annuitant

- 1-7. Which of the following categories of annuities describes when payments will begin?
- (A) immediate or deferred annuity
  - (B) fixed-interest annuity
  - (C) indexed annuity
  - (D) qualified or nonqualified annuity
- 1-8. Which of the following types of deferred annuities describes the annuity with the most complexity and most regulation?
- (A) indexed annuity
  - (B) qualified annuity
  - (C) flexible-premium annuity
  - (D) variable annuity
- 1-9. All the following are qualified prospects for financial products EXCEPT those who
- (A) need and value your products and services
  - (B) cannot afford to pay for your products and services
  - (C) are insurable or financially suitable
  - (D) can be approached by you on a favorable basis
- 1-10. The three-legged stool of retirement income consists of all the following EXCEPT
- (A) Social Security
  - (B) pensions
  - (C) annuities
  - (D) savings

Name \_\_\_\_\_ Date \_\_\_\_\_

**Quiz—Class 2**  
(Due Class 2)

Instructions: Read Chapter 2 first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

- 2-1. Which of the following is an advantage to using a deferred annuity for college funding?
- (A) withdrawals used for college funding are income tax free
  - (B) policy owners who are under age 59 ½ can make withdrawals used for college funding free of any IRS penalty taxes.
  - (C) the significant advantage that deferred annuities offer is the tax-deferred growth of the annuity
  - (D) children who own deferred annuities receive special tax incentives when the proceeds are used for college funding
- 2-2. For which of the following financial vehicles is an immediate annuity a recommended funding vehicle?
- (A) charitable gift annuity
  - (B) charitable remainder annuity trust (CRAT)
  - (C) charitable remainder unitrust (CRUT)
  - (D) net income with make-up charitable remainder trust (NIMCRUT)
- 2-3. Which of the following is a feature of a deferred annuity that make it a useful tool in retirement planning?
- (A) surrender charges that encourage clients to withdraw funds prior to retirement age
  - (B) strict limits on the amount of premiums that can be invested
  - (C) the ability to take partial surrenders without having to surrender the entire annuity
  - (D) unlimited liquidity using free corridor amounts
- 2-4. Which of the following statements regarding the income taxation of nonqualified annuity death benefits is (are) correct?
- I. The annuity proceeds paid to a named beneficiary by-pass the probate process.
  - II. The beneficiary must pay capital gains taxes on any gain in the annuity.
- (A) I only
  - (B) II only
  - (C) Both I and II
  - (D) Neither I nor II

- 2-5 Which of the following statements regarding a Stretch IRA is (are) correct?
- I. A Stretch IRA allows beneficiaries of IRAs to avoid taking a lump sum death benefit by instead taking only the required minimum distribution.
  - II. A Stretch IRA is a specific type of IRA policy that must be requested at the inception of the contract.
- (A) I only
  - (B) II only
  - (C) Both I and II
  - (D) Neither I nor II
- 2-6. Which of the following statements regarding the use of annuities in business planning is (are) correct?
- I. A deferred annuity is preferred to fund a buyer's installment payments to the seller of a business.
  - II. An immediate annuity can be used to fund a buyer's installment payments to the seller of a business.
- (A) I only
  - (B) II only
  - (C) Both I and II
  - (D) Neither I nor II
- 2-7 All of the following demographic statements are correct EXCEPT:
- (A) Members of the Silent Generation have deep concerns regarding access to quality health care and asset preservation.
  - (B) The members of the Silent Generation have little wealth because of old age and housing depreciation.
  - (C) The Baby Boom Generation was born from 1946 through 1964.
  - (D) Generation Xers are the children of Baby Boomers or the younger members of the Silent Generation.
- 2-8 All of the following statements regarding SIMPLE IRAs are correct EXCEPT:
- (A) If a client establishes a SIMPLE IRA, the owner of the IRA and the annuitant will be the employer.
  - (B) The employer must make a matching contribution up to three percent of the employee's salary or a flat two percent for all eligible employees.
  - (C) The SIMPLE IRA was designed to replace a specialized SEP plan called the Salary Reduction Simplified Employee Pension (SARSEP).
  - (D) An employee can contribute up to the lesser of annually specified maximum dollar amounts or 100 percent of his or her income.

2-9. All of the following statements regarding a Roth IRA are correct EXCEPT:

- (A) Qualified distributions from Roth IRAs are not included in the recipient's gross income for federal income tax purposes.
- (B) Taxpayers must have modified adjusted gross incomes below certain levels to contribute to a Roth IRA.
- (C) Roth IRA contributions are never tax-deductible.
- (D) Roth IRAs have minimum distributions required at age 70 ½.

2-10. All of the following statements regarding a private annuity are correct EXCEPT:

- (A) A private annuity is not sold by a commercial insurance company
- (B) A private annuity is a contract between two people.
- (C) It involves the exchange of assets for a lifetime income stream.
- (D) The payments continue when the annuitant dies.



# ***Action Project 1***

## **Approaching Deferred Annuity Prospects**

(Assigned Class 2—Due Class 4)

### **Purpose**

Completing this action project allows you to compare the responsiveness of two different market segments in meeting with you about deferred annuities.

### **Assignment**

Select two of the three deferred annuity age-based market segments that you identified in Sales Planning Project 2—Prospecting for Annuities. Approach as many prospects in each of these two market segments as is necessary for you to obtain a total of six conversations to report on, consisting of three from each market segment.

### **Suggested Procedure**

Identify which two age-based market segments you wish to compare. Then do the following.

1. Select 10 prospects from each market segment (for a total of 20 prospects). You will need 10 prospects in case a few prospects are unavailable.
2. If you have enough time, you may want to send a pre-approach letter to each of the prospects. That is an optional part of this exercise.
3. Prepare a telephone or face-to-face script that you will use for each segment. Write scripts in the space provided or attach a copy of the scripts when you turn in the assignment.
4. Approach prospects from each market until you have had conversations with three from each market (for a total of six prospects).
5. Record your results on the respective report forms provided that corresponds to the age-based market segment for deferred annuity products, along with the overall summary form at the end of this assignment, and turn them in to your moderator.



***Action Project 1***  
**Approaching Deferred Annuity Prospects**

**Report Form (1 of 5)**

**Pre-Approach Materials (describe or include copy):**

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**Telephone Approach Scripts (or include copy):**

Under Age 45 Market Segment

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Ages 45–64 Market Segment

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Age 65 and Older Market Segment

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***Action Project 1***  
**Approaching Deferred Annuity Prospects**

**Report Form (2 of 5)**

**Under Age 45 Market Segment**

**Prospect (1)** Was a pre-approach letter sent? \_\_\_\_ Was an interview secured? \_\_\_\_ If not, why not?

Comment: (What pre-approach did you use? What needs did you discuss? Did you encounter any unexpected question or objection? How did you handle it?)

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**Prospect (2)** Was a pre-approach letter sent? \_\_\_\_ Was an interview secured? \_\_\_\_ If not, why not?

Comment: (What pre-approach did you use? What needs did you discuss? Did you encounter any unexpected question or objection? How did you handle it?)

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**Prospect (3)** Was a pre-approach letter sent? \_\_\_\_ Was an interview secured? \_\_\_\_ If not, why not?

Comment: (What pre-approach did you use? What needs did you discuss? Did you encounter any unexpected question or objection? How did you handle it?)

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***Action Project 1***  
**Approaching Deferred Annuity Prospects**

**Report Form (3 of 5)**

**Ages 45–64 Market Segment**

**Prospect (1)** Was a pre-approach letter sent? \_\_\_ Was an interview secured? \_\_\_ If not, why not?

Comment: (How receptive was the prospect? What unexpected question or objection did you encounter? How did you handle it?)

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**Prospect (2)** Was a pre-approach letter sent? \_\_\_ Was an interview secured? \_\_\_ If not, why not?

Comment: (How receptive was the prospect? What unexpected question or objection did you encounter? How did you handle it?)

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**Prospect (3)** Was a pre-approach letter sent? \_\_\_ Was an interview secured? \_\_\_ If not, why not?

Comment: (How receptive was the prospect? What unexpected question or objection did you encounter? How did you handle it?)

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# *Action Project 1*

## **Approaching Deferred Annuity Prospects**

### **Report Form (4 of 5)**

#### **Age 65 and Older Market Segment**

**Prospect (1)** Was a pre-approach letter sent?\_\_\_ Was an interview secured?\_\_\_ If not, why not?

Comment: (How receptive was the prospect? What unexpected question or objection did you encounter? How did you handle it?)

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**Prospect (2)** Was a pre-approach letter sent?\_\_\_ Was an interview secured?\_\_\_ If not, why not?

Comment: (How receptive was the prospect? What unexpected question or objection did you encounter? How did you handle it?)

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**Prospect (3)** Was a pre-approach letter sent?\_\_\_ Was an interview secured?\_\_\_ If not, why not?

Comment: (How receptive was the prospect? What unexpected question or objection did you encounter? How did you handle it?)

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***Action Project 1***  
**Approaching Annuity Prospects—Summary**

**Report Form (5 of 5)**

**Overall Summary:**

What parts of your approach were effective?

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What changes would you make?

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What overall trends did you notice? Was one market segment more receptive than another? Why?

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## Breakout—Class 3

Answer the Breakout questions and be prepared to discuss them in class.

3-1. *Identifying A Fixed-Interest Deferred Annuity Prospect*—Identify an ideal prospect for a fixed-interest deferred annuity product. In doing so, describe one planning situation or financial circumstance that would make the product useful or appropriate for this prospect. Also, describe a characteristic that would tend to motivate him or her to choose this type of annuity product. (For example, “a 52-year-old risk-averse pre-retiree seeking tax-deferred growth on his or her savings” describes an ideal prospect).

A. Ideal prospect \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

B. Planning situation that would make the product useful or appropriate for this prospect

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

C. Characteristic that would tend to motivate him or her to choose this type of annuity product.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3-2. What words would use with a prospect to briefly describe a fixed-interest deferred annuity and explain how the product works?

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3-3 How would you respond to a prospect that says the following during a discussion about funding his or her retirement income needs?

“My defined benefit pension plan and Social Security will sufficiently pay my retirement expenses.”

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“If I need additional income when I retire, I will just work to make up the difference.”

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3-4. What words would you use with a prospect to introduce the *Personal Retirement Planning Review*?

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Name \_\_\_\_\_ Date \_\_\_\_\_

## Quiz—Class 3

(Due Class 3)

Instructions: Read Chapter 3 first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

- 3-1. A life insurance company generally seeks to earn how much above what it can pay to the fixed-interest deferred annuity owner's policy?
- (A) Three percent
  - (B) Two percent
  - (C) One percent
  - (D) One half of one percent
- 3-2. The insurance company's promise to pay annuity payments is based on
- (A) the age and sex of the annuitant
  - (B) the age and sex of the owner
  - (C) the age and sex of the beneficiary
  - (D) the financial strength of the issuing company
- 3-3. Which of the following statements regarding minimum initial premiums in a fixed-interest deferred annuity is correct?
- (A) Normally these amounts are lower for single premium policies.
  - (B) Normally these amounts are higher for flexible premium policies.
  - (C) Not every company will designate a minimum premium.
  - (D) Lower premium amounts are common for qualified contracts.
- 3-4. The greatest single factor that contributes to the motivation to purchase either deferred or immediate annuities is
- (A) the desire for tax-favored income
  - (B) the need for retirement income
  - (C) the desire to preserve a sense of dignity
  - (D) the desire to protect significant accumulated assets

- 3-5. Which of the following statements regarding bonus interest rates is/are correct?
- I. Interest rate bonuses often discourage the replacement of annuities.
  - II. Interest rate bonuses have an indirect cost behind them.
- (A) I only
  - (B) II only
  - (C) Both I and II
  - (D) Neither I nor II
- 3-6. Which of the following statements regarding the insurance company surrender charge and the IRS penalty tax applicable to deferred annuities is/are correct?
- I. The 10-percent penalty tax for premature distributions is a tax the policy owner must pay from the annuity values.
  - II. The surrender charge is paid by the policy owner on his/her annual income tax return along with any income tax owed on the gain in the annuity proceeds.
- (A) I only
  - (B) II only
  - (C) Both I and II
  - (D) Neither I nor II
- 3-7. In presenting the agenda for the initial interview, you should do all of the following EXCEPT
- (A) communicate what you intend to accomplish during the meeting
  - (B) state a benefit for the prospect
  - (C) check for acceptance
  - (D) pave the way for getting referrals
- 3-8. All of the following are parties to a deferred annuity contract EXCEPT the
- (A) owner
  - (B) annuitant
  - (C) fiduciary
  - (D) beneficiary

3-9 All of the following are prospect social styles EXCEPT

- (A) amiable
- (B) consultative
- (C) driver
- (D) analytical

3-10. All of the following statements are true regarding waiving of annuity policy surrender charges EXCEPT:

- (A) Most policies waive surrender charges at the death of the annuitant.
- (B) Most policies waive surrender charges at annuitization.
- (C) Most policies waive surrender charges if required minimum distributions are taken from qualified annuities.
- (D) Most policies waive surrender charges at the policy owner's discretion.



## ***Action Project 2***

### **Qualifying Three Prospects That You Know for Annuities**

(Assigned Class 3—Due Class 5)

#### **Purpose**

The objective of this action project is for you to gain first-hand experience in qualifying prospects for annuity products using the strategic process introduced in Class 3:

1. Begin your meeting by establishing an agenda and setting proper expectations.
2. Explain, in general terms, the need for adequate income during retirement. Organize and decide what methods and media you will use from your Sales Presentation Binder to explain the potential need for them to consider annuity products in accomplishing their retirement planning goals. (Be prepared to address the respective shortcomings of pension plans, Social Security, alternative personal savings vehicles, and post-retirement earnings as methods of retirement funding.)
3. Qualify the prospect. Determine the prospect's financial suitability and attitudinal eligibility.

After you have discussed in global terms the need for retirement planning, consider the following approach to increase the amount of time you spend with current qualified prospects:

- Begin qualifying your prospect with a general retirement planning qualifying form such as the *Personal Retirement Planning Review*.
- Attempt a preliminary discovery agreement or trial close before conducting a full retirement planning analysis.

#### **Assignment**

Conduct initial interviews with three prospects from the lists you developed in Sales Planning Project 2, and whom you successfully contacted for appointments in Action Project 2. For this assignment, call on three people with whom you have rapport if possible, or whom you have reason to believe would be qualified prospects for annuities.

#### **Suggested Approach**

During the interview, use the three-step process described above to qualify them. If you have a qualified prospect who is ready to move forward, proceed with a more detailed fact-finding interview so that you can gather enough information to responsibly recommend an appropriate annuity product in a future meeting with the prospect.

At the close of the interview, do not forget to ask for referrals.



Name \_\_\_\_\_ Date \_\_\_\_\_

## *Action Project 2*

### **Qualifying Three Prospects That You Know for Annuities**

(Assigned Class 3—Due Class 5)

Briefly describe your interview. Comment on your experience in the space provided below. Indicate whether or not you successfully completed the Personal Retirement Planning Review, and if you were successful in reaching the trial close for conducting a full analysis. Also, include in your report the initials of the person you interviewed, whether or not he or she turned out to be a qualified prospect, and whether you completed or agreed on a plan to conduct a thorough fact finder in order to potentially recommend an annuity product.

Interview 1: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Number of referrals \_\_\_\_\_

Was the person a qualified prospect? \_\_\_\_\_

Did you move forward with the full retirement planning fact finder? \_\_\_\_\_

Did you move forward toward the sale of an annuity policy? \_\_\_\_\_

Interview 2: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Number of referrals \_\_\_\_\_

Was the person a qualified prospect? \_\_\_\_\_

Did you move forward with the full retirement planning fact finder? \_\_\_\_\_

Did you move forward toward the sale of an annuity policy? \_\_\_\_\_

Interview 3: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Number of referrals \_\_\_\_\_

Was the person a qualified prospect? \_\_\_\_\_

Did you move forward with the full retirement planning fact finder? \_\_\_\_\_

Did you move forward toward the sale of an annuity policy? \_\_\_\_\_

Copy this page and turn it in to your moderator to satisfy the requirements of this project.

