

# **MORE SLEAZE FROM VARIABLE ANNUITIES**

## **JULY 2004**

More lies, greed and manipulation. That is the synopsis of a report put out by securities regulators regarding the sales practices used by sellers of variable annuities. The report painted instances of, *"Deliberate deception. Sloppy paperwork. False Statements."* We have warned investors for years about the widespread improper use of annuities. Brokers love variable annuities because of the fat commission checks that go along with their sale. I have actually seen annuities that pay the broker above 10%.

The SEC/NASD report certainly has the potential to adversely affect sales of these products. Among the "weak practices" cited in the 29-page report:

- Brokers recommended annuities to customers who were unsuited due to such factors as age, investment objectives, risk tolerance and need for liquidity.
- Brokers gave "unfounded, false or misleading justifications" to clients to convince them to switch policies, which generate fresh commissions.
- Broker supervisors weren't required to review transactions and investigate such red flags as excessive switching.
- Firms employing brokers "did not identify and prevent manipulative and abusive sales practices."
- Firms failed to disclose existence of additional fees, all the market risks, the lack of liquidity, long-term tax disadvantages, conflicts of interest and the fact that the "guaranteed death payment" is paid only when the client dies.
- "Documentation supporting recommendations of variable products to customers was not maintained."
- Brokerage training programs for its employees "did not address the sale or supervision of variable products."

If you need help or have questions regarding variable annuities please do not hesitate to call (800) 447-0579.