



# Practice Intelligence

## How to Protect your Business

### STEP ONE:

For any business owners it is wise to set up a personal asset protection plan. Must have a real/true expert. It's not just having a family limited partnership and a living trust and it's not just having an LLC.

### STEP TWO:

Get enough quality E&O. Review your policy now.

### STEP THREE:

Join:

NAFA (414) 332-9306

FALA – Use the E-defense Manager

[www.falegal.com](http://www.falegal.com)

### STEP FOUR:

Revamp Your Practice!

First of all...How you represent yourself as an:

- Estate Planner
- Preservation Specialists

You may not be qualified to represent yourself as such, remember you're an insurance agent. (Although some of you hold licenses as Attorneys and CPAs)

- Are you using the disclaimers and disclosures that we provide?
- Are you only selling Annuities, yet talking about Medicaid and you're not selling LTC?
- Are you constantly improving and enhancing your education?

### STEP FIVE:

You've got to install the "10 Best Practices" Here is a synopsis of the 10 best practices:

## “Best Practices” starts when your client is still a prospect



### 1. Prospecting Compliance



Whether you are presenting seminars, sending response direct mail or conducting your practice on referrals, your compliance begins before the first contact.

When choosing a mailing service to process direct mail make sure you do your due diligence. Each service must be aware of and practice all compliance procedures written in the postal requirements. A good service can make suggestions on the most efficient and cost effective way to send your message to prospects. *What they generally can't do is make sure your message is compliant within the insurance industry guidelines. It is up to the agent to know the rules within your state on seminar invitations and direct mail.* For instance, some states require that the agent list their state insurance license number on the invitation or direct mail. The companies you are appointed with also want your mailing piece to be compliant with what can and cannot be stated on advertising so make sure you know all the compliance guidelines.

Each insurance company has a booklet or manual based on what is acceptable for their company. Each company also has a compliance department or person that is responsible for reviewing and approving messages if you are specifically referring to a product. It does not matter if you mention the product by name (i.e., Integrity Gold) if you refer to any features of a particular product, you must have the company disclosure on the bottom of your mailing piece.

## **2. Documentation and Note Taking**

If I looked in your client files, what would I find? Notes and documentation that is sloppy, non-existent, pieces here and there, etc? When you met the client what was discussed? Who was present? What was presented and why? What was the client's feedback? What is the pattern of your notes? Will this process be consistent with all your clients or just a few? Does your staff keep track and note each point of contact that occurs with them? In today's environment, you must become good at taking notes whether you like it or not and documenting everything.

What if you contacted your doctor and asked him questions about your last appointment and the results of the tests that were conducted...And your doctor says to you, "I have no notes, can you refresh me about what we did?" If you tape recorded your presentations on at least a portion, like the closing segment, it keeps you on your toes. You're more professional.



Now, you've got a copy of the words, etc that your client stated... Now, the kids cannot say, "My parents were mentally incompetent." It shows your clients are smart, can make decisions for themselves and that they understood what they wanted and what they were doing. MOST IMPORTANTLY, it shows that you make great efforts to ensure that you're doing it right. Do your notes coincide with the rest of the case facts as well as tape recorded data?

3. **Provide Educational Material.** Be able to justify any of your sales - especially replacements.

Provide educational information-

- A) During the sale.
- B) Through newsletters.
- C) Re-invite to seminars.
- D) Send rebuttal information from NAFA. If clients ask about particular articles.

And consider disclosing your commission, yes I believe this is a good and smart practice. After all, Real Estate Agents do it and so do other Industries. Why did you replace another annuity? How is the product you're recommending a more suitable product? Did your client incur surrender charges, capital gains tax or penalty? Is the prospect aware of this? Is it being offset? If with a bonus product, how does the bonus work? Did you document it? Be careful if replacing another annuity and or variable annuity in some cases it may not be suitable.

4. **Utilize Suitability Practices**

First of all, to sell any annuities that pay commissions over 10% is suicide. To sell any annuities with a longer than 10 year surrender charge is suicide. You are putting yourself in a hole. Can you explain why you selected the product that you did? Was there a product better suited for your particular client? Why did you sell so many people the same product?

Did you actually read the contract? Can you explain the contract? You learned in AU how to read contracts and why you need to study contracts. Did the product meet the customer's needs? When it comes to product selection and suitability in today's environment, it's important to:



Determine the prospect's:

1. Risk Tolerance
2. Time Horizon
3. Goals & Objections

It's critical to determine the liquidity needs of the prospect as well as the net worth and tax return (tax status), and mental state of mind (mental competence). Remember to document the process, determine the objective and purpose of the annuity

## **5. Disclosures and Disclaimers**

Today you've got to provide disclosures covering virtually everything you do in your practice. (Labels and printed) such as:

- A. Seminar Invitations
- B. Seminar Materials
- C. Verbal Disclosures (after your introduction)
- D. During the various segments of your sales
- E. When you close
- F. When you move money, replace something, etc.
- G. Remember there is a difference between a disclosure and a disclaimer.

## **6. Buyer Beware Materials**

Provide your client with educational material that informs them of the negative aspects of the products. For example: "The Negative Aspects of Annuities" You can obtain booklets provided by the companies, such as Buyers Guides for Long Term Care Insurance and Fixed Annuities What's great about this is when your competitor attempts to save their business by attacking your sale and downgrading you, you already covered this in your Buyer Beware material and your client is informed.



### **Potential Negative Aspects of Fixed Annuities**

I, \_\_\_\_\_, understand and fully acknowledge the potential negative aspects of annuities as well as commit to ethical conduct while soliciting annuities.

- 1.) Fixed Annuities can be taxable upon death to the beneficiary.
- 2.) Fixed Deferred Annuities are taxed based upon ordinary income tax rates when money is withdrawn as opposed to capital gains tax rules which could result in higher tax liability.
- 3.) There is no "step up in basis" upon the death of the annuity owner or annuity beneficiary (depending if annuity contract is annuitant driven or owner driven contract).
- 4.) Fixed Deferred Annuities can incur a 10% penalty tax if interest accumulations (gains) are withdrawn prior to age 59 ½.
- 5.) There are Fixed Deferred Annuities which can have a surrender charge upon death.
- 6.) Some Fixed Deferred Annuities may not keep pace with inflation.
- 7.) Fixed Deferred Annuities are issued by Life Insurance Companies and are not FDIC insured.
- 8.) Fixed Deferred Annuities which provide an upfront interest bonus may require annuitization upon death in order to realize the upfront bonus
- 9.) Some Fixed Deferred Annuity owners may lose part of their principal if monies are withdrawn in the early years due to surrender charges incurred upon withdrawal.
- 10.) Some Fixed Deferred Annuities pay higher commissions than others and as a consequence require a higher surrender charge which can have a negative impact for the consumer. Similarly there are lower surrender charge annuities paying lower commissions which may have a positive impact for the consumer.
- 11.) Some Fixed Annuities are provided by higher rated, more financially sound insurance carriers than others.
- 12.) Before I solicit for the sale of annuities to consumers it is essential that I will and do fully understand the annuity contractual provisions, features, brochures and products.



- 13.) When engaged in the sales process to consumers while selling annuities, I will not utilize fear and/or scare tactics, in addition to making any false or exaggerated misrepresented claims or statements.
- 14.) While engaged in the solicitation process I will fully disclose both the positive as well as the negative aspects of annuities.
- 15.) While engaged in the solicitation process, if there is a transfer of funds (monies) from a previous non-annuity investment such as bank cd or any other investments, I will disclose the possible penalty and/or tax consequence transfer.
- 16.) While engaged in the solicitation process, I am aware of and understand the consequences of naming and titling of owners, annuitants and beneficiaries including annuity transfers to other annuities.
- 17.) I am aware that, with certain Equity Indexed Fixed Annuities, should the S&P500 not produce gains, that could result in nonperformance for the consumer and I have informed the consumer of such possibility.
- 18.) When recommending "Total Return Strategy Annuities", I understand and will advise consumers of the potential nonperformance of the various selected investment strategies.
- 19.) I understand that some Fixed Annuities may have a Market Value Adjustment upon death and/or surrender which could have a negative impact for consumers.
- 20.) I understand that concerning "Portfolio Rate Interest Crediting Annuities" and "Old Money-New Money Interest Crediting Annuities", renewal interest crediting can be substantially low and the carrier has the option to lower the renewal interest rate to the minimum interest guarantee.

## **7. Sales Reconfirmations**

It's critical to constantly reconfirm the solicitation and sales process.

- ◆ During the sales process, reconfirm their decisions and document the process and also by sending a client satisfaction letter that has to be returned to your office.
- ◆ During client's annual review, reconfirm the sales and the client's experiences and satisfactions with you and the product they purchased. Ask them to fill out a satisfaction survey no matter if they fill out ten of them over a period of time.
- ◆ During the policy delivery, reconfirm the sale again. (especially during the free-look period)

## **8. Communication Management and Procedures**

Where do you keep copies? What if your office was flooded? What if your office caught on fire? Consider microfilming all paper in your office. Have client fill out applications in their own writing. Many of our people are becoming paperless.

Promptly answer customer inquiries and return phone calls. Implement a timeframe for calls to be returned such as 24 hours so your assistant can communicate that to clients if you are not able to answer the call.



Make sure your documentation in your file is clear and consistent.

Don't forget e-mail. All electronic communication should be available for review in the case of a complaint or inquiry.

**9. Maintain Positive Relationships**

Did you or didn't you develop a relationship? Take time to cultivate your relationships with all your clients.

Set up programs for Birthdays, Anniversaries, Newsletters, Holidays, Client Appreciation Days, Annual Reviews, and Client Events.

**10. Commitment to Education**

We know there are continuing education requirements in order to renew our insurance license. However, in our ever changing industry, we all need to make a concerted effort to go above and beyond what is required. For the clients we advise, we all need to keep up to date with pending and current legislation that affects the insurance industry and perhaps our clients existing policies. As we conduct our sales presentations and annual reviews, we can be confident that the information we provide is complete and current.

Our Goal is to be the...

Most Professional

Most Ethical

Most Talented

Most Caring

Most Knowledgeable

Most Compliant organization in the nation.



To Your Success,  
Brokers Choice of America

*\*As with any financial transaction make sure to consult your CPA or tax attorney as well as your Financial Advisor for the most appropriate information as it applies to you individually. This article is written only to provide a basic understanding of the above concept.*

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