Annuity Suitability

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One of the key responsibilities for any financial advisor is to determine whether a recommendation is suitable for a particular client. In some ways, suitability is a nebulous concept to describe. Justice Potter Stewart famously wrote in a Supreme Court decision that pornography is difficult to describe but "I know it when I see it". The same could be said for suitability — there are no hard and fast guidelines as to what is or is not suitable, but unsuitable recommendations are relatively easy to spot.

Suitability should always be viewed from each client's unique perspective. Advisors should not start with a product to be sold and ask themselves "which clients would this be suitable for?" Rather, the advisor should carefully analyze the client's needs and circumstances to determine which investments may be suitable for that particular client.

Florida regulators place suitability at the center of their consumer protection regulations. Suitability is defined as the ***"appropriateness of recommended transactions when considering the risks associated with a transaction relative to a customer's financial situation, financial needs and investment objectives".*** (Other regulatory authorities such as SEC and FINRA have similar definitions.)

An ethical corollary to the suitability requirements is that of fiduciary. Clients trust their advisors to provide objective investment recommendations. As such, advisors have a fiduciary responsibility to place the client's interest above their own self-interest. Fiduciary responsibility is discussed in Chapter 4.

In this chapter we'll explore the client's financial situation, investment objectives, various factors that affect suitability, the client's existing annuity holdings and how annuities compare with other investment alternatives.

Client's Financial Situation and Needs

Before making any recommendations, advisors should carefully review a prospect's current and projected financial situation. This starts with basic personal information such as

- the client's age,
- marital status,
- number of dependents and their ages.

An investor's age is a key factor in a changing spectrum of investment objectives over the investor's lifetime. Given the increasing lifespan of Americans, it's important to note that dependents are not limited to the client's children — many clients now find themselves supporting their parents in later life. Likewise, today's high divorce and remarriage rates create blended families that now present a wider set of dependents (e.g., stepchildren living in the investor's household or child support payments for natural children living with an ex-spouse) than the traditional, nuclear family.

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Assets & Liabilities

Once basic personal information is obtained, the advisor should review the investor's financial circumstances, typically in the form of a personal balance sheet and income statement. The basic balance sheet equation — assets minus liabilities equals net worth — is a convenient place to start the review. While it is helpful to be as accurate as possible, approximate values for assets and liabilities are usually adequate for this task.

In addition to the assets' values, advisors should be aware of the types of assets and liabilities the investors has. In the case of assets, it is important to distinguish between liquid assets and illiquid assets. The investor's liquidity position is an important factor in this decision to invest in deferred annuities, which typically impose steep surrender charges on withdrawals in the early years of the contract. All investors should have some liquidity cushion to meet everyday expenses and unforeseen emergencies.

Advisors should also examine the investor's liabilities. Like assets, liabilities can be classified as short-term and long-term. The short-term liabilities should be viewed in tandem with liquid assets. Debts that need to be repaid in the near future will typically drain the investor's liquid assets. Some long-term liabilities are self-amortizing; others will require a lump sum repayment. A mortgage with a balloon payment or an agreement to purchase a retiring partner's business interest create a need to raise cash at "maturity" — which in turn may affect the client'sinvestment objectives, liquidity position, or investment horizon. Another question financial advisors should ask is whether the investor is prone to lawsuits or legal judgments. These may create new liabilities in the future. Annuities (and other insurance products) offer better protection against creditor claims than other investment options.

The cash value within a whole life insurance policy (or universal or variable policy) should can be viewed as a liquid asset on the investor's balance sheet., but the face value of the policy should not be treated as a long-term asset . The policy's death benefits do not provide any financial value during the investor's lifetime. Exploration of proper life insurance planning is beyond the scope of this course, but advisors should consider the investor's insurance needs (income protection for survivors, debt repayment, etc.) Annuities only provide for return of principal (and accumulated earnings), and therefore should not be viewed as a suitable substitute for true life insurance coverage, which can create a larger pool of capital in the event of the investor's death.

Income & Expenses

An adequate income is the key to maintaining one's lifestyle (i.e., expenses). Income typically comes from one of two sources: earnings and investments. In the investor's younger years, presumably with few investments, most income will be earned income. As the investor accumulates wealth, some of his or her investments may generate "unearned" income — dividends, interest, rent, capital gains, etc. In later years, the investor will rely primarily on "unearned" income from private investments, plus pensions and Social Security. An advisor should compare his or her clients' income with their expenses, to ascertain the need to augment current income from their investments.

All of this should be done with an eye on current — and projected — income and expenses. Over time, sources of income will vary. Advisors should also note that some occupations are relatively stable sources of income, while other positions may be subject to wide variations. Consider, for example, two employees of the same company earning $75,000 this year — one is a salaried office worker and the other is a salesman working on commissions. While the current income level appears to be the same, the commissioned sales position is a less certain source of future earnings. A financial advisor should be aware of such differences, and adjust his or her recommendations accordingly. Some career paths are shorter than others. Professional athletes have relatively few years to make their "nest egg", as do other physically demanding occupations — while less strenuous jobs allow clients to continue to work into their later years. Obviously, the client's projected retirement date also has an impact on projected future income. Projected expenses will vary over time, too. Clients may face college tuition, medical expenses, or long-term care costs for themselves or dependents. To the extent that these can be foreseen, financial advisors should take these into consideration when making recommendations. Some of these costs can be addressed proactively: pre-paid college plans, long-term care insurance, and medical expense policies, and so on.

If income falls short of expenses, investments can be redeployed from those seeking capital appreciation to those generating more income. The purchase of an immediate annuity can serve that function — as can annuitization of a deferred annuity.

Taxes

One expense bears special consideration: taxes. Annuities offer investors a bundle of features, and one of the most important of those is the tax-deferred growth they provide. That tax advantage is of more value to investors in relatively high tax brackets. (An advisor should carefully review a client’s tax status including the client’s filing status (single, married, etc.), the client’s current and projected marginal tax rate (“tax bracket”), as well as the sources of the client’s taxable income. In order to make suitable recommendations, an advisor must have a clear understanding of how an annuity fits into the client’s overall tax situation.

Financial goals

Over the course of a human lifetime, an individual's investment objectives will typically pass through four phases: accumulation, conservation, distribution and transfer. In one's younger years, the focus in on accumulation of wealth and investments are typically made with capital appreciation in mind. As the investor ages, the objective shifts from appreciation to conservation — riskier investments that might yield significant investment gains give way to less-risky investments offering safety of principal. As one's working years end, the objective becomes how to assure that the wealth that has been accumulated and conserved can be used to support the investor in retirement. At the end of one's life the focus is how best to pass on one's wealth to designated beneficiaries.

Other investment factors

During their lifetimes, most individuals will have investment objectives of accumulation, conservation, distribution and transfer. What makes each client unique, however, is the particular set of circumstances each individual faces. Advisors must apply their creative talents to adapt general investment concepts to each client's situation. The decision whether the purchase of annuity is suitable must be based on each client's unique set of circumstances. And if an annuity is purchased, the advisor should maintain contact with the client to monitor whether the annuity remains a suitable investment as the client's objectives and circumstances change.

Liquidity

Liquidity, the ability to easily turn an investment to cash without incurring large expense, is a major factor in most investment decisions. Annuities should only be purchased with "long-term money", i.e., funds that the investor can afford to invest over a long time horizon. Before making a decision to purchase an annuity, the investor should ask: "Is this money that I can afford to tie up for an extended period?" and "Do I have adequate reserves of cash or short-term investments to meet daily living expenses and unforeseen emergencies?" If the answer to either of those questions is "No", then an annuity is not a suitable investment.

Annuities can be readily converted to cash, either through withdrawals in the accumulation period or by converting the contract into a stream of income payments. There are, however, a couple of key points to keep in mind. Most contracts impose surrender charges for withdrawals in the early years of the contract. These fees are usually on a sliding scale — beginning with relatively large surrender charges in the earliest years, tapering off over the first five to seven years, and no surrender charges after that point. Surrender charges are typically waived for beneficiaries in the event the contractholder dies. Another hurdle makes deferred annuities rather illiquid: a 10% penalty tax on withdrawals prior to age 59½. Obviously, this is not a consideration for “senior consumers”.

Recent changes in Florida law have been motivated by agent misrepresentations of the liquid (or illiquid) nature of annuities. The suitability disclosure requirements discussed in Chapter 1 are a direct result of those misrepresentations — particularly to elderly clients.

Tax status

One of the key selling features of annuities is their tax-deferred status. Earnings in the contract grow tax-deferred, allowing the contractholder to "triple compound" his interest — interest is earned on the initial investment to the contract, on past earnings in the contract and on monies that would have been used to pay taxes on those earnings. By contrast, earnings from investment in a taxable investment, such as a mutual fund, are taxable in the year they are distributed to the investor. If the investor chooses to reinvest, only the after-tax portion of the distribution is available for compounding. Triple compounding allows for faster capital appreciation in tax-deferred contracts, and as you would expect, this is a strong incentive to invest in annuities. Tax-deferral is

more valuable to clients in higher tax brackets. There are, however, tax disadvantages to an annuity too. Earnings will be taxed when the account's value is distributed to the contractholder — either as a withdrawal or as a series of periodic payments. All growth in an annuity contract's value — regardless of its source — is taxed as ordinary income, not capital gains. By contrast, profits on investments in taxable securities like mutual funds, stock or bonds, will be subject to more favorable capital gains treatment when the security is sold.

When comparing a tax-deferred annuity to other taxable alternatives, advisors should be careful to address both the tax advantages and disadvantages of the annuity. Whether the annuity makes more sense from a tax perspective depends on the investor's current tax bracket, the investor's projected tax bracket when monies will be taken out, the different treatment of ordinary income, dividends and capital gains, and the expected timeframe of the investment (the time earnings will grow tax-deferred). Obviously future changes in the tax code may also affect whether the annuity turns out to be the better investment.

Time horizon / Age

The earlier discussion about individual investment objectives was based, in part, on the natural aging process. As investors grow older, there is less time to recoup losses, which leads to a natural progression from asset accumulation to wealth conservation. While age is certainly an important factor in many investment decisions, advisors should inquire as to the purpose of the investment prior to making a recommendation. While a comfortable retirement income may be a goal of most older clients, advisors should not assume that is their only objective. Wealthier clients may be looking beyond retirement for a way to preserve assets for beneficiaries. Others many need income and readily accessible funds. As we've mentioned earlier, there have been numerous complaints about sales of annuities to elderly clients. Placing a client into an investment with substantial surrender charges that may remain in force for most of the client's remaining life expectancy is viewed very dimly by state insurance regulators.

Risk aversion

Advisors should take the time to understand the client's tolerance to risk. Long-term (and profitable) relationships are built on mutual understanding. Advisors should determine whether their clients can sleep at night with the investment decisions they have made, and clients should be aware of the imprecise nature of investment analysis in a world of imperfect information.

There are four general risks that investors should consider when making any investment: interest rate risk, purchasing power risk, creditor risk, and market (or systemic) risk.

Interest rate risk is the risk that interest rates will rise in the future. Rising interest rates make existing fixed income securities with their older, lower rates of interest less attractive. If the older security needs to be liquidated prior to maturity, the investor will suffer a loss. Even if the investor can hold until maturity, there is the ***opportunity cost*** of having locked into a lower rate than what could have been earned otherwise. Fixed annuities, with their guaranteed rate of interest are subject to this opportunity cost. Most issuers of fixed annuities will set a new rate for the contract each

year — but there is no requirement that the company must match prevailing market interest rates when it resets its contractual rate. Indexed annuities will reset the rate each year based on market rates of return, but those rates are based on the returns of the stock market, which tend to be far more volatile than general interest rate fluctuations.

Purchasing power risk, or **inflation risk**, is the risk that the value of the dollars that are eventually returned to the investor will purchase fewer goods and services than could have been bought at the time of the original investment. Even modest rates of inflation over a long period of time can seriously erode purchasing power (e.g., 4% annual inflation over a 20-year period will cut the purchasing power of the dollar in half). While there is little the investor can do about government policies that cause inflation, he or she can minimize its effects by investing short-term, that is, don't give inflation a long opportunity to cause damage. For deferred annuity investors, however, this is not an option as annuities are inherently a long-term investment. Fixed annuities, with a fixed rate of return, are most vulnerable to the effects of inflation. Indexed annuities and variable annuities may provide some hedge against purchasing power risk.

Credit risk is the risk that a borrower becomes insolvent and will not be able to repay the investment. For the most part, life insurance and annuity companies are financially stable — and failures of large insurers are rare. Ratings organizations assess the financial strength of insurers — although in light of recent troubles on Wall Street, advisors should be aware of the shortcomings of the ratings system. State insurance regulations require companies issuing fixed annuities to maintain adequate reserves to meet their obligations, invest prudently and submit to periodic examinations to assure the public that the companies remain financially solvent. Variable annuity holders don't enjoy such protections. The sole source of protection for a variable contract is the value of the assets held by the separate account. As was noted earlier, the separate account is segregated from the firm's general assets, so in the case of insolvency, there are specific assets earmarked exclusively for the variable contractholders.

Market risk is the risk that the general stock market may experience a downturn, generally as a result of the natural progression of the economy through the business cycle. This is sometimes referred to as "systematic" risk. Studies have found the more than one-half of the change in any company's stock price is the result of general market conditions. In a bull market most stocks advance, in bear market most decline. (One can argue whether that is a cause or an effect, but the fact remains: when times are good, most stocks benefit, when times are bad, most stocks suffer.) Fixed annuities are immune from market risk, as their returns are based on a fixed, guaranteed rate of interest. Variable annuities are very susceptible to market risk. To a certain extent, some general market risk can be minimized by the selection of actively managed separate accounts. Some investment managers may be able to overcome general market downturns by outperforming the market. Passively managed separate accounts (and exchange traded funds, or ETFs) will be more subject to market risk, since they are designed to closely mirror the ups and downs of the general market. Indexed annuities, which links a minimum guaranteed rate of return with returns based on a measurement of the general market, are perhaps the best solution to address market risk.

One last risk, **legislative risk**, applies particularly to insurance products. Congress grants insurance and annuity products special tax treatment — primarily tax-deferred growth. That special treatment is subject to political considerations. The tax code is under constant review and revision.

What Congress grants, it can take away. Investors who may invest today based on the promise of tax advantages may find those features altered in the future. Typically, Congress has "grandfathered in" old tax regulations for existing contracts when it changes the tax code, but that may not necessarily be true for any future changes Congress may make.

Creditor Protection

We live in a litigious society. Some occupations, such as the medicine, are more susceptible to malpractice or other legal proceedings. These types of clients may want to consider certain types of investments that offer a greater level of protection from the claims of creditors than do other assets. Both the federal Bankruptcy Code and state laws provide this heightened level of protection. The most obvious examples of protected assets are the debtor's homestead, retirement plans (including IRAs), life insurance and annuities. The law offers this protection so that the debtor's family can maintain a minimum level of financial well-being and avoid becoming a burden to the state. This protection is tempered by society's concern for the creditor's competing rights to access the debtor's property for the satisfaction of legitimate claims.

In Florida, creditors of an annuity contractowner may not attach or garnish the cash values or other benefits of an annuity (or insurance policy), unless the contract was obtained for the benefit of the creditor. If the annuity company releases the cash value to the contractowner, however, the creditors may bring judgment against the contractholder for the released proceeds. The same applies to death benefits paid to the estate of the contractholder. Once released to the estate, the creditors of the deceased's estate can claim the death benefits. Note: Proceeds released to a designated beneficiary (other than the estate) cannot be attached by the contractholder's creditors. A **spendthrift trust clause** can protect death benefits from the claims of the beneficiary's creditors by having the annuity company hold the benefits and distribute them over time.

Investment Sophistication

One factor many advisors fail to consider when making recommendations is the sophistication of the investor. Basic investments, such as stocks and bonds, may be relatively easy to understand, while packaged products such as mutual funds and annuities present a more complex situation. As the famed investor Warren Buffet says: "If you can't pronounce it and can't explain it, you probably shouldn't invest in it." Some annuities, such as traditional fixed contracts, are very simple to understand: a guaranteed rate of return, fixed income payments for life with relatively few fees. On the other hand, a variable annuity's investment options, management fees, and varying values are more difficult to comprehend. The myriad moving parts of an equity indexed annuity — participation rates, spreads, caps, floors, etc. and their complex interactions — can be damned near indecipherable to the general public (and probably many financial professionals, too).

Regulatory organizations impose a number of disclosure requirements on annuity salespersons. The intent is to educate prospective clients as to the advantages and disadvantages of the annuity product and allow the client to make an informed decision. But if the client is incapable of understanding the product's features, then the product is, *per se*, an unsuitable investment for that client. If the sales pitch boils down to "trust me", the product most likely will become a future problem for both the client and the agent. In these situations, the client may trust an advisor who may not fully

understand the product (after all, he was unable to adequately explain the contract to the client). This puts the client at heightened risk. For the agent, sales made in this manner are ripe for future charges of misconduct — and any short-term gain from the sales commission may be offset in the long run by much higher losses.

Existing investments

As the preceding discussion illustrates, no investment decision is made in a vacuum. Each recommendation must be made in the context of the client's unique circumstances. One aspect of the client's situation that the advisor must take into account is the type and amount of other investment holdings the client may have. One tenet of Modern Portfolio Theory is the need for based diversified investments — so it is imperative that advisors be aware of the client's existing portfolio before making any recommendations that may upset that diversification. A full discussion of portfolio diversification is beyond the scope of this course. Since the purpose of this course is annuity suitability, we'll limit our focus here to existing annuity contracts and how annuities may or may not be more suitable than other available investments.

Existing annuity contracts.

Annuities can be used to meet a variety of investment objectives: deferred annuities can accumulate wealth, fixed annuities can conserve wealth, an annuitized contract can distribute wealth and the minimum guaranteed death benefits can transfer wealth in an efficient manner to beneficiaries. Due to this versatility, advisors may find themselves recommending that clients with an existing annuity add another annuity to their portfolios. There is nothing inherently unsuitable about recommending an additional annuity contract. But the recommendation should be made in light of the other contracts the investor may hold. Quite often, fixed annuities complement variable contracts; one provides safety of principal, the other hedges inflation risk.

As an investor's financial situation changes, an existing annuity may no longer fit the investor's circumstances. For example, a number of years ago, a client purchased a deferred variable annuity to invest for retirement. As the client approaches retirement she wishes to convert the accumulated value in the variable contract into fixed annuity payments. Her advisor recommends that she exchange her variable annuity for a new immediate fixed annuity that has more favorable annuity payout options than offered under the variable contract. As we noted in Chapter 2, the IRS permits a tax-free exchange under Section 1035 from one annuity to another, so there would be no tax consequences to this "switch". Under Florida law, however, such an exchange is treated as a "replacement" of coverage — and is subject to **Florida's Replacement Rule**. The intent of the rule is to minimize the possibility that replacement is recommended solely to generate a commission for the agent. This rule spells out the steps agents must follow when replacing coverage — but regardless of the procedure, recommendations of replacement are only suitable if the exchange of contracts benefits the client. Using the above example, the intent of the agent — to obtain more favorable annuity payout options for his client — is admirable. But does the exchange truly benefit the client? If surrender charges on the old contract cost more than the more favorable terms on the new policy will deliver, the client would have been better off not making the change.

The above situation, with annuitization as the investor's purpose, is quite common. Typically, the minimum guaranteed payout schedule included in the original annuity will not be as favorable as payments currently available under new immediate contracts. One can argue that an advisor who does not consider replacement of the annuity under these circumstances ill-serves his or her client. Replacements for this reason are routine — they benefit the client's income needs and the advisor earns a commission on the sale of the immediate annuity. Replacements of one deferred annuity for another deferred annuity may not be so benign. Among the factors to consider when contemplating an exchange of one annuity for another:

Surrender Charges. The old contract may impose surrender charges if the policy is exchanged for another in the first few years following the contract's inception. This reduces the amount available for "reinvestment" in the new contract. Likewise, market value adjustment provisions may negatively impact the investor's principal balance.

New Fees. The new contract may impose new sales loads, policy fees and other expenses, which may mean that it could take the client years to break even in terms of total contract values.

Loss of Liquidity. The new contract will probably have new surrender charges, which will limit the contractholder's ability to access the full amount under the contract for a number of years. Often, contract replacement will extend the investor's effective surrender charge period.

Grandfathered Rights. If the old contract was purchased when tax laws were more favorable, replacement may entail the loss of "grandfathered" income tax benefits.

Riders and Endorsements. The old policy may include riders and endorsements not available under the new contract, or available only at an additional cost.

Investment options. The new contract may not offer the same investment options available under the old contract.

Annuities vs. Other Investment Alternatives

Fixed Annuities

Fixed annuities are sometimes compared with other fixed income investments such as certificates of deposits or bonds. From a safety of principal point of view, this comparison is a valid one. Fixed annuities (including indexed annuities) provide a fixed, safe rate of return if held to maturity, as do certificates of deposit and bonds. The comparison, however, is not as valid if one considers liquidation of the investment prior to maturity. The market price of bonds fluctuates based on current interest rates and how those compare with the stated interest rate on the bond. If interest rates go down after an investor purchases a bond, the price of the bond will increase — and the investor could sell it at a profit. Conversely, if interest rates rise, the price of the bond will fall. Annuities are not marketable securities. There is no opportunity to sell a deferred annuity at a profit (or loss)

due to favorable interest rate movements. The contractholder can simply withdraw his or her principal plus interest accumulated at the guaranteed rate, less any applicable surrender charges. In this respect, a fixed annuity is similar to certificates of deposit that impose penalties for early withdrawal. It bears repeating that annuities, like bonds, are not insured deposit accounts — there is an element of credit risk in both, that is, the "guaranteed" payments are only as good as the institution making the promise.

The guaranteed rates of return on fixed annuities and indexed annuities are comparable to that of certificates of deposit of equal maturity. The income earned in an annuity contract is tax-deferred, while interest paid of CDs or corporate bonds is fully taxed as ordinary income in the year it is earned. Tax-deferred interest income in an annuity is not included in calculation of the Alternative Minimum Tax (AMT) or taxability of Social Security benefits (taxable interest income from other investments is.)

Most deferred fixed annuities today impose a surrender charge if the contract is surrendered or large amounts withdrawn from the contract in the first years of the contract's life. — and the IRS imposes a 10% penalty tax on withdrawals prior to age 59½. No such penalty applies to bonds or CDs. Depending on an investor's need for liquidity and age — fixed annuities may or may not be as suitable as investments in bonds or CDs.

Indexed Annuities

Equity indexed annuities — with their guaranteed minimum rate of return and market derived interest rates — fit somewhere between traditional fixed annuities and variable annuities. Advisors would be best served if they viewed equity indexed annuities as a fixed annuity with a fixed rate of return (if market returns eventually exceed that minimum, that's frosting on the client's cake).

Many commentators, however, view EIAs as an alternative to indexed mutual funds or investment in index shares (exchange traded funds, or ETFs). Those comparisons are not entirely valid. One, indexed mutual funds and index shares (ETFs) are passively managed portfolios designed to mirror the market weighting of the index components — once the portfolio is established, the manger need only update it for changes in the makeup of the index, so management fees are minimal for index funds or shares. Equity indexed annuities rely on index options to mimic the upside returns of the index. Those options expire periodically and need to be replaced. This is a "hidden cost" of EIAs. Two, index mutual funds and index shares must distribute income annually, while EIAs grow tax deferred. Three, index mutual funds and index shares own the underlying stocks in the index, and many of those stock pay dividends. EIAs do not own the underlying stocks, and therefore do not generate dividend income for their contractholders. The upside market returns promised by EIAs are based solely on appreciation of the index's value, not the total return the index shares might generate (stock price appreciation plus dividends). Four, index mutual funds and index shares participate fully in the index's movement — up or down. The upside market returns promised by EIAs are limited a portion that movement (subject to participation rates, caps, spreads, etc.). Ratcheting and other mechanisms, as well as the minimum guaranteed rate of return, limit exposure to downside movements. Put another way, the contract holder in an EIA exchanges market risk for reduced upside potential (i.e., a less perfect, inflation hedge).

As with all annuities, equity indexed annuities impose surrender charges. EIAs, more than other types of annuities, are primarily a vehicle for accumulation. Investors in EIAs should plan to invest in the contract for the duration of the stated maturity. Withdrawals from equity indexed annuities prior to maturity can have serious adverse consequences to the actual return earned by the investor. In some contracts, the equity-based rate of return is applied only to contracts that remain in force until maturity. If surrendered prior to maturity, the surrender value of many contracts is based on only the minimum guaranteed rate, not the indexed value. These facts makes EIAs particularly illiquid

Variable Annuities

Variable annuities separate accounts are typically viewed as an alternative to mutual funds or equities. The sale of variable annuities is subject to dual regulation under both state and federal laws. Florida's Senior Suitability Law carves out an exemption for agents selling variable annuities, choosing to defer to federal rules (FINRA) on the suitability of sales of variable contracts to senior consumers. A comparison of variable annuities and other equity investments is beyond the scope of this course. Agents can find a detailed comparison of variable annuities and other investment alternatives through the online study materials.