

## MCP Insider eNews

### Income Planning: Stay Out of Fantasy Land

*By Mitchell Maynard, CEO & Software Developer*

Too many advisors still don't understand (or choose to ignore) that the use of averaged rates of return is phantom planning.

Sure, using averaged rates of return makes it easy to sell plans, because a client can be led to believe that the world is full of certainty and that the financial advisor has insights greater than their own. And where the world is not certain, they can be led to believe that all uncertainty is explained by that magical 'AVERAGE' in averaged return.

However, this is nothing more than FANTASY if your use of averaged returns doesn't allow for the possibility that an 'average' return will not occur and what the impact of that failure will be on the client's retirement. Without this information, the client never has the opportunity to consider the possibility that the plan will fail.

Properly conducted Monte Carlo simulations must be a part of every plan that looks to the future. They are so important in fact, that the NASD approved their use with clients in February 2005. For me the evidence and research results are clear, but below I will provide you with the logical arguments you need to fend off the evangelists of "Averaging" – that simplistic and promissory excuse for the planning that a client really needs.

[Read the rest of this article >](#)

### A Matter of Suitability vs. Liability

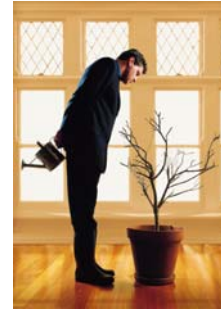
*By Dorice Maynard, Software Sales & Customer Service*

For many advisors, there is now a growing sense of having to choose between maintaining their securities license and maintaining their independence. This is perhaps most felt by advisors who sell indexed annuities.

But before you ditch your securities license to escape regulation, give careful consideration to how you intend to sell EIA contracts. If you expect to be able to follow your previous track of discussing market volatility and recommending to a client that assets be moved from stocks, VAs or mutual funds into an indexed annuity, beware.

Acting solely as an insurance agent, it's a stretch to consider such discussions "incidental" to the annuity sale. A better option? Consider associating with an RIA (Registered Investment Advisor) or set up your own.

April 2007 eNewsletter



Using 'averaged' rates of return in an income plan can lead to its failure.

#### April '07 Webinars

MCP Premium holds live webinars throughout the week for current customers as well as live Demos for prospective ones.

- [Software Demo Webinars](#)
- [Customer-only Webinars](#)

***“Just because you must ASK about other asset holdings does not mean you can ADVISE on them.”***

(Continued)

While there is more oversight than if you remain simply an agent, the trade off is the ability to offer advice on a client's entire portfolio, whether or not you actually sell securities.

Plus, even under the newly-revised NAIC rules, nearly all the burden of product suitability remains on the agent. Increased oversight (a.k.a. paperwork) is likely to become a part of the annuity application. ING for example just issued a new form with suitability questions. But just because you must "ask" about other asset holdings does not mean you can "advise" on their appropriateness.

Find more tips in a special report titled "*5 Vital Steps Every Agent Selling Indexed Annuities Must Follow.*" Use the link below to request your copy by email as a PDF.

[Request a copy of the special report >](#)

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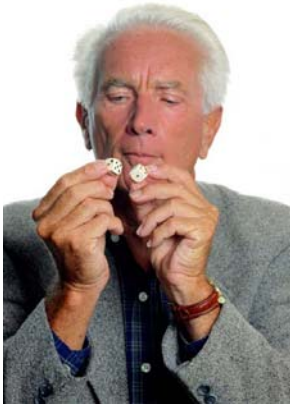
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## Blog Hot Topics: EIA Hypotheticals & Monte Carlo Simulations



**Do advisors actually place themselves at risk by using hypotheticals with an EIA?**

*By Dorice Maynard, Software Sales & Customer Service*

This month's posts celebrate two gentlemen who made my job a whole lot easier this month.

#1—Thank you, *Donald Moine*, for pointing out so clearly that the alternative to not using hypotheticals to demonstrate EIA credit method performance is for a client to simply take the agent's word for it.... Hmm.

#2—Thank you, *John Bagwell*, for reinforcing all the reasons why MCP Premium's Monte Carlo simulation is head and shoulders above what tries to pass as Monte Carlo in other annuity software tools.

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