

MCP Insider eNews...

Of Lemmings and Salesmen

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By Dorice Maynard, Software Sales & Customer Service

The lemming, legend says, migrates in great herds that will even throw themselves off cliffs, resolutely following the group to its doom. History shows us stock market investors and advisors also fall prey to herd mentality, chasing 'hot' performance and current trends to the demise of their dollars. The laws of investing—like the laws of physics—are inviolable: What goes up must come down.

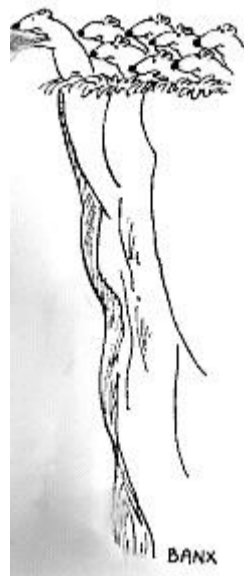
Every annuity application I have ever seen says somewhere in prominent letters or typeface, ANNUITIES ARE LONG TERM INVESTMENTS. Clients are expected to understand this—but does it truly register in the mind of the annuity salesperson, as well? I wonder.

I see an especially grievous lack of long-term thinking with agents selling the equity indexed annuity. This is reflected both in their choice of index crediting method—and the reason why they choose a particular method.

If your client is depositing premium for nine years, for example, and you peg her future interest crediting to the index that did the "best" over the last 1 or 2 years (based on info from the insurance company), prepare to jump.

Longer term investment vehicles require longer term views. Broaden your look back into history: for how many 9-year periods was that credit method still "best"? This is easily accomplished with even inexpensive hypothetical software. You will also quickly see that "average rate of return" is deceptive. Eight years of 0% with one year of 48% equals an average return of 5.33%; exactly the same as earning steady 5.33% every year. This is an exaggerated scenario, but the point is made: Which would your annuity client be most content with?

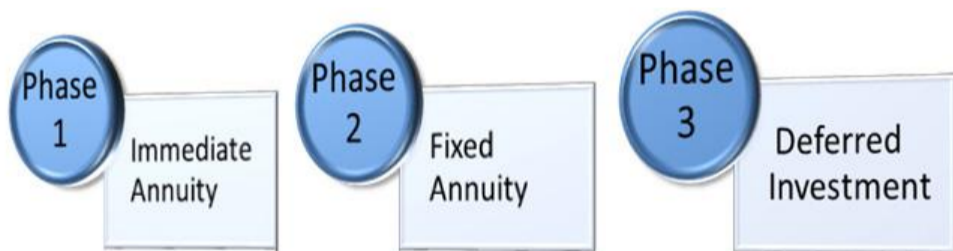
A salesman swayed by credit method hype is doomed to the "conservation and re-sell" plummet, like his kindred lemming. Moral: Be an informed advisor, and thrive!



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Software News for June



Above image from ImmStudy income planning module, MCP Suite 2007.

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