



May 5, 2014

RE: [AARP Article on Fixed Indexed Annuities](#)

Dear Editor:

Sadly, NAFA has been forced to respond to Mr. Roth's inaccurate and self-promoting attack articles against annuities numerous times. We are sorry that AARP got caught in this one.

First, NAFA believes that everyone saving for retirement or planning for their financial future should have a trusted and accurate marketplace in which to review and consider financial products. One of the most important elements in making consumers aware of a product is advertising and NAFA believes that columns written by someone who makes their living selling their "advice" for a fee is in reality advertising and self-promotion. NAFA is not concerned with healthy and fair competition or the recommendation of other financial products over annuities or in addition to annuities. Neither NAFA nor its members believe that fixed annuities are for everybody or should be viewed as an individual's sole retirement savings or wealth accumulation solution. NAFA believes that there is a role for every financial product and financial strategy available today, and that the more choices consumers have the better off they are to compile the best set of products to meet their financial objectives.

However, we cannot let the patent falsehood made in his diatribe about fixed indexed annuities that "the guarantees [in annuities] are mostly illusion" go unchallenged. Doubtless the over 300 billion dollars placed in indexed annuities did not find the insured savings guarantee an "illusion" after the collapse of the technology bubble in March of 2000, the economic downturn following the September 11, 2001 attacks, the stock market collapse beginning in October 2002, the bear market of 2007-2008, or the so-called "flash crash" of 2010 when the Dow Jones Industrial Average suffered its worst intra-day point loss, dropping nearly 1,000 points. *Not a single owner of a fixed indexed annuity lost a penny in any of those market calamities* and there would be only a gratuitous few who would call those saved dollars "an illusion." The second and equally important insurance guarantee is the guarantee that you can turn those saved dollars into an income stream that will last as long as you live, no matter how long you live.

How can fixed indexed annuities provide these guarantees? Because they are insurance products **designed** to protect the premium and the credited interest from stock market risk and guarantee a lifetime income. Insurance companies must show they have the financial capacity and ability to make these guarantees and their products have been reviewed and approved by state insurance

regulators. In addition, insurance companies are continually audited by these same regulators and must comply with stringent requirements to ensure they have the ongoing capability to meet these promises.

We can't believe that fixed indexed annuities are "the most complex financial products" Mr. Roth has examined. If that is the case, as a fee-based planner his exposure appears to be very limited. As with all financial products, some concepts are simple and some are complicated. The index annuity story can be expressed this simply: Indexed annuities are a type of fixed annuity that earn interest on the premium, based on *positive* changes in a market index. The interest rate is guaranteed to never be less than zero, even if the market goes down. And, once that interest is earned, it can never be lost even when the markets lose.

Mr. Roth seems to believe that full disclosure is a bad thing, but the annuity industry believes the consumer should know, fully understand, and feel comfortable about what they are buying. And, unlike the investment world, if an annuity buyer decides they don't want the annuity a "free-look" period, which allows the purchaser to return the annuity and get 100% of their money refunded.

Fee-based advisors can and do provide a useful service in helping consumers navigate the financial choices available to them. But, they can only service their client's interest if they are fully knowledgeable about what products can and cannot do and completely understand the individual's needs and concerns. Unfortunately, it appears Mr. Roth does not have this knowledge or understanding. Our hope is that the next time AARP has questions about fixed annuities they will find someone conversant on the subject, and we would be happy to help you in this regard.

Sincerely,

Kim O'Brien  
President & CEO  
NAFA

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