

My Aunt Bee, who lives in another state, recently called to ask my advice about buying an annuity.

She said, "A very nice young lady at my bank told me about an annuity that will pay me 12 to 15 percent.

Right now, my money is only earning 7 percent guaranteed for three more years in an annuity with another company. However, because I can earn so much more with her company, they are willing to pay my surrender penalty by giving me a bonus of 4 percent. I told her that I wouldn't do anything until I talked to my nephew. So, what do you think?"

"Well Aunt Bee, thank you for asking for my advice," I said. "It certainly sounds as though you've met a very nice young lady, but let me ask you some questions to make certain I understand the deal she is offering you. What is the name of the insurance company and the annuity?"

"I think she said it was Wacko Wild Life and the annuity had something to do with eyes or seeing the future or something like that," she said.

"Did she mention that a higher bonus was available?"

"No!"

"Did she mention an annual maintenance fee of nearly 3 percent?"

"No."

"Did she say anything about a strategy?"

"Yes, she said they had a strategy that has been paying about 12 to 15 percent per year."

"Did she say that you could earn that rate on all your money or just part of it?"

"I assumed she was talking about all

"Did she give you any sales literature?"

"Yes, and I glanced through everything. However, I didn't understand most of what I read. That's why I called you."

"Aunt Bee, I'm going to tell you what I advise all my clients: "If you don't understand it,

I explained to her that there are some really good consumer-oriented annuities out there that pay high rates

and that are easy to read and understand. So, there is absolutely no reason for any person to ever invest in some product that he or she doesn't understand what they are investing in.

The 'high interest rates' comment got her attention. How high were the rates I was talking about, she wanted to know.

"Around 7.7 percent, guaranteed for six years," I answered.

She was distinctly unimpressed. "That's a lot lower than 12 or 15 percent," she said curtly.

This whole exchange brings to mind an important point about annuity sales. And that is: Greed is a powerful force to overcome.

But as you will see, it can be overcome – by recognizing it and working with it, not against it. Let's see how:

When I tried to explain to Aunt Bee that she wouldn't actually earn 12 to 15 percent on all her money – because part of the money had to go into an account earning a low rate and because an annual maintenance fee would also be deducted, the two factors greatly reducing her overall yield – she got mad at me.

"I've done business with that bank for years and that girl is real sweet," Aunt Bee bristled. "No one there would lie to me!"

"I understand and agree that it is a very good, well-known, reputable bank, and the girl is a very nice person, Aunt Bee. But, did the girl tell you that you would be starting a new 10-year penalty period in the new annuity?"

There was no response, so I continued, "Aunt Bee, did you know that sweet young girl could have offered you an 8 percent bonus rather than only 4 percent and the only plausible reason she didn't is she could earn a higher commission selling the 4 percent bonus?"

Up until that point, she thought I was trying to take away her opportunity to earn 12 to 15 percent. But now, she viewed me as trying to save her a 4 percent bonus and was mad at the girl and the bank for taking a bigger bonus from her.

As you can see, Aunt Bee, the bank, the nice young girl, and the insurer were all being "greedy."

That's not something to overlook, nor is it an emotion from which you should retreat. Rather, to paraphrase my earlier comment, approach greed as a powerful force – one that needs to be reconciled between all the parties involved.

In my view, the most important party is the customer. In this case, it is Aunt Bee. It's her money. She should receive accurate and complete information in an understandable way. That will help her find the best value for her. This should bring greed full circle to a good outcome – for her, and also for the marketer, who will have won a new satisfied customer.

Unfortunately, there are lots of Aunt Bee's out there who are getting the short end of the greed stick. When all those Aunt Bees find out what has happened to them, do you think they will ever again do business with their own particular girl, bank, or insurer?

Where the girl made her biggest mistake was by not offering Aunt Bee the maximum bonus of 8 percent. Had she done that, I doubt if Aunt Bee would ever have called me, so the sale would probably have gone through.

She made another mistake by not offering Aunt Bee an investment she could easily and readily understand. Had she done so, Aunt Bee would have had no reason to call me or some other financial advisor.

By the way, Aunt Bee had a lot more money to invest. Now, however, that money will end up in another bank or insurer with a different agent.

Yes, this is just one small story, but it has a message for annuity marketers everywhere. The message is: Make certain you are giving your clients the absolute best financial advice and offering the best products possible. Otherwise, the money will eventually end up with some other advisor.

(P.S.: My aunt has never done any business with me. Doing business with family members is tough!)