TUCKER ADVISORY GROUP, INC.

BEST PRACTICES WHEN SELLING ANNUITIES & LIFE INSURANCE

Point of Sale & Fact Finding

1. Determine the client's risk tolerance.

2. Determine the client's time horizon.

3. Determine the client's goals and objectives.

4. Determine the client's mental capability to understand and make financial decisions. If a client appears to be confused, take extra care to ensure that the client understands the ramifications of the financial decision he/she is making.

5. Determine and document the client's Current Financial Positions – his/her understanding, feelings and concerns about his/her finances.

6. Determine the client's total overall financial situation:

   - Investable assets
   - Net worth
   - Liquid net worth
   - Income needs

7. Consider and be able to defend the percentage of resources you recommended the client place into annuities.

General Procedures

1. Before soliciting the sale of annuities to clients, understand the contractual provisions, features and sales materials for each product.

2. Refrain from "putting down" a client's advisors or products.

3. Do not use fear tactics or other high-pressure sales techniques.

4. Refrain from making any exaggerated claims or statements.

5. Fully disclose both the positive as well as the negative aspects of annuities.

6. If a client is transferring money from a previous non-annuity investment, such as a bank CD or other investment, disclose to the client the possible penalty and/or tax consequence to the best of your knowledge.

7. Be aware of, understand and explain to the client the consequences of naming and titling of owners, annuitants and beneficiaries, including annuity transfers to other annuities.

When the Sale is Made

1. Complete the Suitability Form.

2. Complete all insurance company required disclosures.

3. Thoroughly go through and document the entire sales process and every point of contact with the client.

Delivering the Policy

1. Prior to delivering the policy, copy the policy summary.

2. Highlight on the policy the following areas:

    - Surrender Charges
    - Proceeds upon death
    - Liquidity options
    - Interest Rate Area
    - Bonus (if any)

3. When explaining the policy, ask the client to put his/her initials next to the provisions that have been highlighted.

4. File the copy of the policy summary.

Can You Defend the Following?

1. Is the product suitable for the client's particular situation?

2. Is this the best product for the client's particular situation?

3. How much consideration was given to commissions and or incentives in selecting the particular product for the client?

Potential Negative Aspects of Fixed Annuities

The following are some of the potential negative aspects of annuities.

1. Annuities can be taxable upon death to the beneficiary.

2. Fixed indexed annuities are taxed based upon ordinary income tax rates when money is withdrawn, rather than capital gains tax rules, which could result in higher tax liability.

3. There is no “step up in basis” upon the death of the annuity owner or annuity beneficiary (depending if annuity contract is annuitant driven or owner driven contract).

4. Fixed indexed annuities can incur a 10% tax penalty if interest accumulations (gains) are withdrawn prior to age 59½.

5. Some fixed indexed annuities have a surrender charge upon death.

6. Some fixed indexed annuities may not keep pace with inflation.

7. Fixed indexed annuities are issued by insurance companies and are not FDIC insured.

8. Some fixed indexed annuities provide an up-front interest bonus and may require annuitization upon death in order to realize the up-front bonus.

9. Some fixed indexed annuity owners may lose part of their principal if monies are withdrawn in the early years due to surrender charges incurred upon withdrawal.

10. Some fixed indexed annuities pay higher commissions than others and consequently may require a higher surrender charge, which can have a negative impact for the client. Similarly, there are lower surrender charge annuities, which pay lower commissions, which may have a positive impact for the client.

11. Some fixed indexed annuities are provided by higher-rated, more financially-sound insurance carriers than others.

12. Some fixed indexed annuities may have a market value adjustment upon death and/or surrender, which could have a negative impact for the client.

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