

## Private Annuity News

**Private Annuity Illustration Requests, On-Line and Automated.** On June 23 of this year, NAFEP introduced automated private annuity illustrations, on-line. The automated system immediately replaces the old, paper and fax method. The new illustration program is termed "PAIR", for private annuity illustration request. The PAIR illustrations are finished in seconds, and provide a much more comprehensive report. After inputting the client specific data, the finished illustration returns as a pdf file. The illustration may be opened and viewed immediately, saved on a local computer or e-mailed. New features, compared to NAFEP's old illustration are: (1) Display of immediate annuitization and (optionally) up to two deferral periods in the same illustration, (2) display of one to three payment periods, monthly, quarterly and/or annually, (3) illustration of the growth in the 7% gift/reserve amount, based on the current month's AFMR interest rate and the annuitant's life expectancy, and (4) a comparison of the sale of the annuitant's property, if sold for cash and taxed immediately, vs. private annuity deferral. The form and resulting illustration provides for all the calculation variables NAFEP is aware of, such as: Deferred annuitization, the exchange property has a mortgage on it, the exchange property has been depreciated, the annuitant chooses to keep some cash out of the deal, etc. There are numerous other valuable features, including: The input form automatically catches the common errors that users make, the form automatically adjusts for the differences in property types and one annuitant vs. two in a joint last-to-die design.

The PAIR program is available exclusively to NAFEP members. CEA members must integrate with a NAFEP account executive (formerly referred to as "general agent") to use the program. NAFEP will no longer provide illustrations directly to non-members. If you don't yet have an account executive, contact [ashley@nafep.com](mailto:ashley@nafep.com) for a referral.

The PAIR report is proprietary to NAFEP and copyrighted. Each time you enter the PAIR program you will be required to consent to an agreement in order to proceed. Among other things, the agreement prohibits you from obtaining a NAFEP illustration and then taking the PAT transaction work to an attorney or other, non-NAFEP person or entity. If you use the NAFEP illustration, you must process resulting business through NAFEP. Violation of this rule, either directly or indirectly through another party, will subject you and the other parties involved to damages and reports of ethical and legal violations to your broker-dealer, the NASD, state bar, accountancy boards, insurance commissioner and carriers, etc.

To use the PAIR system, CEA members must first obtain password authorization from their account executive. Then go to [nafep.com](http://nafep.com), select "Professional Info", then select "Private Annuity Illustration".

NAFEP owes a huge debt of gratitude to Roy Barker, NAFEP VP of operations, for his immense effort and intellect expended in the development of the PAIR program and in leadership of the design team!

**Why Use NAFEP As Private Annuity Resource?** Quite simply, only NAFEP has evolved PATs into a highly refined product, a product with extensive support materials and back up. Only through NAFEP or a NAFEP account executive can you obtain comprehensive PAT training, marketing materials, legal and consulting support on any PAT issue, a sensible marketing and pricing structure or just simply give you the ability to turn a prospect into a closed and delivered sale. Only NAFEP has an advanced PAT illustration system, the PAIR program described above. Only NAFEP can give you the credibility that your clients and their advisors will demand if they perform even minimal due diligence on your capabilities. Only NAFEP knows how to deal with the numerous PAT complications and variations which arise in the normal course of prospecting for clients. For example, it is unlikely any other service or professional will even know whether Sub S corporation assets or stock may be sold in a tax deferred PAT transaction, much less be able to reduce the process to step-by-step written instructions. Knowing the ins and outs of private annuities is so complex that very few, if any, other practitioners could routinely calculate private annuities correctly. At the same time, the NAFEP refined product approach makes the whole process so simple for NAFEP CEA® members to use. Finally, whatever your existing practice or business, NAFEP always works complementary with you, never competitively.

**Great Response to, "Are Private Annuities Legal?" (or, "I Never Heard Of A PAT").** NAFEP performed an in-depth search of all the citations on private annuities we could find. We summarized our research in a comprehensive NAFEP Research Memo, which is a listing of IRS Rulings, tax law, tax and federal court cases and private legal resources which discuss the legality, tax treatment and operation of private annuities. All 200+ of the listed citations, publications, etc. either discuss the private annuity (trust) at length, or include it as a smaller item in a larger tax topic. All support the legality of private annuities and/or private annuity trusts. The title of this Research Memo is: *Private Annuity/Trust Citations And References*. For a refined and targeted review of the more important citations, you still need the older NAFEP publication, *Private Annuity Legal Pack, Abbreviated*. But this new Research Memo will be extremely helpful to quickly eliminate the skepticism or uninformed responses which clients sometimes get from their other advisors.

## Upgraded NAFEP Web Site Launched

On April 11, 2005, NAFEP published the latest rendition of www.nafep.com. The three main design goals were to

offer more free content, more functionality, and create a more sophisticated and updated look. As launched, the site has considerably more content for consumers and the updated look. The main functionality additions are in the "Professional Info" area. More functionality for consumers will be added as time goes by. Both high and low bandwidth versions of nafep.com are offered to users when they enter the site. The high bandwidth version delivers more sophistication, with animation and "roll over" call outs. But this version requires high speed internet service to run correctly. The low bandwidth version has the same content and functionality, but a simpler graphics look without the animation or roll over callouts. The low bandwidth version must be used by anyone whose internet access is via a dial up connection. And, it can be used by high speed users who want the simpler approach.

The professional and member areas have been revamped and improved. More materials for CEA® members are readily available on-line. The PAIR system (see first article above) has been added.

A big "thank you" goes to employee Jeff Erkelens, NAFEP web and graphics designer, who created and now supports www.nafep.com. A job well done!

## New Vice President

On April 25<sup>th</sup>, Scott Janko was appointed Vice President of Administration. Scott relocated to Salt Lake City, Utah from Plano, Texas. He has both bachelors and masters degrees in business administration, and successfully completed the CEA® training and certification. He has over twenty years experience in management positions at both small and Fortune 500 companies. He spent the last 6 years as a Senior Consultant for IBM, where he was routinely assigned to create management systems for large corporations such as Halliburton and Raytheon. Scott's primary areas of responsibility at NAFEP include oversight of finance and accounting, human resources, and he is product manager for the CEA® program. Scott, along with Roy Barker, VP of Operations, oversee all day to day activities and needs of NAFEP, CEA® members, customers and employees.

## New Premier II Life Estate Trust Support Materials

NAFEP just released a new graphic presentation on CD, focused on asset protection and the Premier II Life Estate Trust. The CD's title is: Answers To Life's Financial Risks. A

script for the presentation is included on the CD in both pdf and Word formats. The Word format allows a presenter to edit his/her personal version of the script. The graphic presentation does not contain narration. It requires the presenter to deliver a verbal presentation and manually step through the scenes. So this version is designed for live presentations at seminars or delivered one-on-one to clients. A narrated, automated version to hand out to prospects will be available soon.

The presentation is computer based, using "Flash" programming. It is not a PowerPoint presentation and cannot be converted to PowerPoint. But it is much more powerful and user friendly than PowerPoint, and no special software or programming is required by the presenter.

Also included on the new CD is a fully updated print publication, with the same title, *Answers To Life's Financial Risks*. The Premier II Section goes into much more depth and covers several more important topics than the last *Answers* version. In addition, we took the Premier II Sections out of the *Answers* publication and made a stand alone publication entitled *Estate Planning with Asset Protection*. There is an excellent "Frequently Asked Questions" section at the end of both publications. These two publications make great handouts at seminars or for individual clients who want to study the subject matter in depth. Finally, the CD includes the Asset Protection Legal Pack. This was published in January, 2004, but you might not have this publication.

You can order a copy of the CD from [ashley@nafep.com](mailto:ashley@nafep.com). Ask for, The Answers To Life's Financial Risks CD. The price is \$19.95 including shipping charges. Advance credit card payment is required.

## Attacks on "Trust Mills" and Annuity Scams Heat Up

Recently, several state attorneys general contacted life insurance companies headquartered in their respective states and warned them about deceptive "trust mill" practices. Some of the life insurance companies, in turn, sent warnings to their agents. A trust mill is an operation which uses high pressure and fraudulent tactics, usually aimed at senior citizens, to promote boiler plate trust packages, usually living trusts. These packages are overpriced, poorly drafted with little or no client customization, and typically no follow up services are provided the client. The clients are sold a bill of goods with no substance, they are scammed. A further problem in the life insurance industry is that some unscrupulous agents work with trust mill operations to con clients, usually senior citizens, into purchasing annuities with poor suitability for the clients. The unscrupulous agents often bill themselves as estate planners, avoid disclosing that they are life insurance agents, and often convince the client that the living trust and annuity go together. Some clients don't even know their money went into an annuity, they think it is simply held in their trust.

### CEA® Members:

**Order Your Personal Premier II Life Estate Trust for \$995 \***

**Ensure Your Personal Assets Are Protected**

As an additional membership benefit, NAFEP will directly provide current CEA® Members with its renowned asset protection trust, the Premier II Life Estate Trust, One Time Only, for \$995. This trust program is sold to regular consumers everyday for \$3,500 to \$5,000. You may use this for yourself (a highly recommended benefit to you), or you may offer the Premier II to any client, friend, relative or associate. If you offer it to someone besides yourself, you should quote the full retail price. Their check or credit card payment must be made out to NAFEP for the full amount. Do not accept payments made out to you. NAFEP will rebate a commission to you, the difference between the price you quote and \$995. The only stipulations are: At the \$995 price, the Premier II must be ordered with the standard beneficiary and final distribution variations offered on the Premier II application (this still allows a wide variety of planning provisions). Extensive and/or unusual custom planning provisions will typically be subjected to extra charges of from \$150 to \$300.

**To order your Premier II**, contact [ben@nafep.com](mailto:ben@nafep.com) for a *Premier II Life Estate Trust Order and Application Form*. Ben will work directly with you for the consulting and assistance you need to get this estate planning vehicle together and help build your personal asset protection fortress. Send the completed application via fax to NAFEP, then mail the check or submit credit card info to [ben@nafep.com](mailto:ben@nafep.com).

To learn more about this incredible family protection fortress, which also includes a full complement of estate planning provisions and documents, order the \$19.95 CD above or contact [ashley@nafep.com](mailto:ashley@nafep.com) and ask her for an e-mail copy of *Answers To Life's Financial Risks*.

\* NAFEP reserves the right to withdraw this offer at any time without notice.

A few years ago, one life insurance carrier in California was put out of business for engaging in these scams. California followed up with tough new regulations on the sale of life insurance and annuities. (California SB 620, effective 1/1/2004. California annuity sales agents must get familiar with this law.) In February of this year the California Insurance Commissioner John Garamendi, and California Attorney General Bill Lockyer, issued a press release announcing a \$110 million lawsuit against another California trust mill which used the trust/annuity scam tactics described in the above paragraph (for lawsuit details, see joint press release of 2/10/2005, #016, available through the California media contact at (916) 492-3566). In response to the notices about these scams, one major life carrier went so far as to announce that they would no longer sell annuities which were to be owned by a trust which had been in existence for less than a year.

NAFEP is not a trust mill and appropriate NAFEP estate planning is in no danger of legal actions. Our confidence in this position is partly due to the facts that NAFEP:

- Does not engage in deceptive practices or focus on the senior market.
- Does not ever deliver a boiler plate trust document. Most trust applications are ten or more pages long in order to provide for full customization.
- Offers far more estate planning services than living trusts, in fact, the whole range of estate and trust planning is available to meet whatever specific needs a client has.
- Has substantial endorsement from state insurance commissioners of its Certified Estate Advisor<sup>SM</sup> (CEA<sup>®</sup>) education program, via 15 to 22 hours accreditation for continuing education.
- Provides excellent client education on both [www.nafep.com](http://www.nafep.com) and in numerous publications.
- Requires follow up services (such as assistance with funding) from CEA<sup>®</sup> Members.

- Will immediately terminate any CEA<sup>®</sup> Member who is found to be using deceptive practices.
- Fully discloses through a client-signed disclaimer in each trust application that the trust which the client is ordering thru NAFEP is not part of their financial planning and NAFEP is separate from the client's financial planner.
- Is supported directly by a large number of broker-dealers, attorneys, CPAs and financial planners who would not risk their licenses for a scam operation. NAFEP is recommended, endorsed or listed by many major institutions and organizations (see [www.nafep.com](http://www.nafep.com), select "NAFEP Info" and then select "Check Our References" for numerous examples).
- Has had its practices reviewed twice by the Utah State Bar, with positive, no-action results.
- Has warned CEA<sup>®</sup> Members about these same trust mill issues as far back as our *CEA<sup>®</sup> Training Manual*, Copyright 2000, and the 3/25/2002 NAFEP Newsletter.

NAFEP has compiled a large archive of research on the topics of unauthorized practice of law, deceptive practices, scam trust offerings, etc. We are probably more informed on these topics than are most attorneys general and life insurance commissioners. As a result we have a firm grip on the ethical practice of estate planning. There may be some CEA<sup>®</sup> members who are operating unethically, but they are doing this on their own and without our knowledge. We will terminate anyone whom we discover engaging in these practices.

If you encounter problems or lack of cooperation from your life insurance carrier, due to using NAFEP estate planning services, please advise us and we will attempt to help with a solution.

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