Annuity Answers—

ANNUITY ANSWERS

Demystifying Annuities

AI Is Changing The Industry

CARLETON (CAP) AVERILL II

Annuity Answers

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Introduction

Purpose

We are not here to tell you what to do with your money. This book is meant to be educational and to share the approach and methodology used by the Averill family, who has been in the annuity business for over 60 years, to choose their personal annuities. We are sharing the Averill family's process on choosing annuities and its annuity backtesting. This technology has recently been verified as in existence and of value, by Microsoft Open AI, so it is time to share the wealth of knowledge with everyone.

This book is intended to be different from others. Our intention is to be completely transparent about the way Carleton E. Averill, II & Associates, Inc. has kept its clients happy for decades, by following the process of identifying the annuities purchased by the Averill family portfolio. Buying the right annuity for your needs may be complicated at first, but if you eliminate the "white noise" as we attempt to do in our strategy, we believe it becomes reasonably straightforward.

Our Reputation & Promise

Our company was built on the premise put forth by my father, Carleton Averill, Sr, who said, "I will never recommend or sell any product unless I own it, or would be purchasing it if I was them."

Most people will not ask their annuity agent which annuities they purchased for their own savings. It's an awkward question, but a valid and important one. At Carleton E. Averill, II & Associates, Inc. we don't make you ask that question, we openly offer you that information, and you will see that we have our own money in most of the same companies we represent. We take pride in our transparency and are happy to show you our own family's portfolios.

Our slogan is, "Happy clients tell the story." We are proud of our track record, which has earned us an A+ Better Business Bureau rating.

About Us

Our Approach

If you have been searching for the right annuity, you might be feeling frustrated or overwhelmed. There are thousands of available contracts from many different companies. If your agent sells the same one to everyone, what is the chance that this one annuity is the best fit for all situations?

Wouldn't it be more logical that you would need to consider all of those annuities to determine which is the best for you and your specific situation?

Maybe you have been proactive in your search and have already learned that your financial person has only sold a couple of different annuities in the past year, and only has access to sell a handful of options.

Did an agent ask you detailed questions about your goals, your plans, your liquidity needs, or provide factual comparative information supporting why the contract they recommend is superior for your needs?

Our approach is based in empathy. We gather enough information to put ourselves in your shoes. This is a crucial step. Based on that we are able to eliminate whole categories of unsuitable annuity types to narrow down the choices. There is simply not enough time to comprehensively review thousands of annuities, so why bother reviewing unsuitable annuity types that you have eliminated based on your needs. The first "thinning of the list" happens by learning what you are trying to accomplish, and eliminating the "white noise" of contracts not designed to do what you need.

Only after this initial step do we use our state-of-the-art technology to create a shortlist of suitable products for you to consider. This process eliminates contracts from the shortlist that have allocation methods with Date Lottery problems, poor return history, or other problems of that nature. We believe if you want a product you will be satisfied with, that is the second necessary step (in that order).

Why do we do things this way? We believe in treating people the same way we would like to be treated, which has led to our positive reputation and our history for client satisfaction.

An agent from our agency can help you interpret the shortlist, by running fresh historical comparisons on the shortlist contenders.

But then the most important step: our agents analyze companies on the basis of whether or not they would purchase the contract based on your goals (not ours).

Some of the reasons our agents drop companies from the shortlist include:

- Known high instances of client dissatisfaction with the company or the product;
- Some companies maintain a practice to keep first year offering rates level after the first year and others lower rates after the first year by design or custom. These practices make contracts "appear" to perform better at first blush, but in reality they may not be performing as well as others.

This is where our history and personal experience of having reviewed annuity historical statements over the years comes in to assist you in reviewing the various annuity options on the shortlist. We attempt to help you avoid those "loss leader" contracts that look intriguing in the first year, but may not be the most beneficial for you in the longer term.

Who We Are

My name is Carleton E. Averill II. As an American, I have a deep appreciation for the opportunities afforded to me, and it is my passion to help others live the American dream.

I claim no fame as a result of being a descendant of any famous person, nor do I believe it provides me with any borrowed credibility due to genetic attachment to people who achieved great things.

I wouldn't be unjustly prejudiced against someone who had a criminal ancestor either. My point is that I am humbled by my ancestry and proud of my lineage.

I am a direct descendant of 14 of the people who came over on the Mayflower. I am extremely proud to be the descendant of the first female physician in the United States of America.

One of my 12th great-grandfathers, Overmyer, was a sharpshooter under Washington, and another 12th great-grandfather, despite pressures against it, married a Shawnee princess.

My ancestors were from northern states and fought for abolition in the Civil War as officers and marksmen. I am also a direct descendant of my sixth great-grandfather, Daniel Boone, as well as his daughter, my fifth great-grandmother, who was captured from her family, kidnapped, and retrieved at the age of 10. She was a survivor.

Most of my family members lived until the age of 100 or their late 90s, even before advanced medical services were available. We are truly blessed in this way. On my father's side, my grandfather was a friend and confidant of President Truman, and my grandmother was the first female state representative in the state of Michigan.

My father, Carleton “Cap” Averill, Sr., was the greatest man I have ever known, and I strive to walk in his footsteps. His accomplishments far surpass mine. The man of the greatest quality of character I have ever known was my mother's father, C. Raymond Lowe.

Although he was a consummate woodsman and fisherman, who could live off the land as second nature, he made it his passion to teach me to provide for myself in the same way. At the time of his passing, he was unaware that he was the fourth great-grandson of Daniel Boone, despite never missing an episode of Fess Parker playing Daniel Boone in the popular series of the time.

The drive, pragmatism, financial brilliance, and inspiration from my father, combined with the theoretical teachings of right and wrong, as well as the arts from my mother's side, deserve 100% of the credit for anything I have ever accomplished or will ever become.

How Our Company Is Set Up

We don’t charge you anything, but we do get paid. Annuities are issued by insurance companies, and per industry custom, the insurance company pays a “street” commission to the agent. Therefore, although we do not charge clients directly for the sale of annuities or the development of the client’s annuity plans, please know that when a person decides to become one of our “happy clients” we receive compensation directly from the insurance carrier, which covers our product selection and underwriting costs related to your annuity.

Rest assured that at no point during this process will we charge or attempt to collect from you any fees other than what we receive directly from the insurance company. The backtesting and other information being provided to you is for your education and your analysis process and is absolutely free. In order to be completely transparent we want to explain that we do get paid commissions directly by the insurance companies if you end up purchasing a product. We will get into that more later.

The Date Lottery & How We Solved It

What Is The Date Lottery?

Before you read on, you'll want to understand what the Date Lottery is.

The Date Lottery is a phenomenon where even minor differences in the dates funds are added can have a significant impact on your returns. To address this issue companies across the country have developed various methods that include: averaging, participation, income riders, and guaranteed minimum benefit riders, but these methods do not always work as intended.

The following is a real example that is used to illustrate the Date Lottery issue:

- Twin brothers retire in the same week, but a few years apart.
- Both deposit $1M into the exact same annuity product.
- Both pull $60K a year for bills.

After 10 years, one twin is happy, with $1.8M. The other one is down to $200K and running out of money. The difference is created because they both purchased on different dates and the market was doing different things.

We believe all the annuities on the market today are either subject to the Date Lottery or suffer from mitigated returns as a result of the attempted "fix."

We identified and developed management methods to help alleviate the Date Lottery issue a decade ago. All of our reps have been trained on how to address the Date Lottery issue..

We have developed whole product lines that are currently in the production line of major insurance carriers, but even before release of those products we have knowledge of how to minimize the Date Lottery issue without costly riders or lower returns or fees. Instead, we have a way that *advances* your profitability statistics.

It is known in the industry that we've developed the first artificial intelligence tool that can model annuity historical backtesting. Please note we do caution against blindly purchasing annuities based on backtesting results, as some companies design products specifically to win in certain scenarios, but do not have products priced in a way where they intend to repeat the first year rate assumptions, which is considered to be a "given" in annuity backtesting. Although annuity backtesting, properly structured and populated with accurate data is extremely helpful, it would be irresponsible to suggest that the best product for you would necessarily be the one at the top of the list.

That being said, our tool can help you narrow down your options and identify the annuities that are most likely to perform well, and yes, we can tell you which of the annuities are designed with looser renewal intent. This is covered in the "5 Most Important Things To Know Before Buying An Annuity" section. We also recommend looking beyond backtesting results and considering other factors like the company's bond portfolio, management team, long-term plan, and more.

If you want to protect yourself from the Date Lottery, we can help guide you through the process. Keep in mind that our shortlist based on backtesting is just the beginning of the analysis. We will help you dig deeper and make an informed decision that's right for you.

Historical Backtesting: High Propensity For High Returns

Eliminating the Date Lottery means delivering a higher propensity for higher returns, but keep in mind these higher returns are not guaranteed.

Hypothetical question: Someone selling me an annuity only tells me they have the following two annuities with these ranges of return rates. Which one should I choose?

A. 5% - 24%
B. 3% - 15%

The answer is neither. It's impossible to know from that very limited amount of information if the annuity is right for your situation. One thing I would like to know is the distribution of the propensity for each of those annuities to return those rates.

In other words, let's say 1000 people purchased the first annuity product and only one of them made 24%, and 999 of them made 5%. But in the second annuity, of 1000 people, 999 of them made 15%. This is why the propensity for higher returns needs to be taken into account and not just the possible ranges.

To make it simple, in assisting you with the analysis we ignore the noise and hype. In purchasing our own personal annuities we target those with a high propensity to return our target interest rate, although we understand that no return is guaranteed. So how do we try and measure the propensity for certain returns?

How Annuities Work & The Story Behind Them

Early Annuities: The Simple Days (Early 1980s)

In the early part of my career, in the early 1980s, annuities were extremely simple. Typically, a company would purchase rated securities such as T-bills, or the like, at the respective interest rate at the time, let's say 5% for example, although it was much higher back then.

They would determine how much it would cost them to issue the contracts, the benefits of the contracts, market the contract, and then how much profit they wanted to make. Let's say all of that total is 1/2 of 1% per year.

The company would then offer an interest rate of 4 1/2% to the public and sell as many as they could. That was considered the traditional fixed annuity.

At that time, you could generally assume that the current offered rate of the company would remain the same throughout the contract surrender, even though it was not guaranteed to do so. If you needed it to be guaranteed, multiple year guaranteed annuities or MYGAs were available.

Then, something interesting happened.

Emergence of Innovative Annuities (Late 1980s – 2000s)

In the late 1980s, a company called Keystone pioneered something called the fixed indexed annuity. This seemed very suspect to me. It claimed to pay upside potential of the stock market but not to lose money when the market fell.

I remember my father joking about a local farmer who was being paid not to farm land by a program. He called my father and asked him how that was working out. He said that they did so well not farming 100 acres the first year, that they tried not farming 200 acres the second year. But it was a case of growing too big too fast, and they lost their shirts. Then he cracked a smile, indicating that it was all a joke.

I kept thinking that upside potential of the stock market without downside sounded fishy. So, I actually visited with the pioneers personally, people at Lincoln, National, and Keystone. I explained my father's company philosophy of never recommending anything that we did not purchase ourselves. At that time, you could make 10% of the stock market upside, but if the market fell, you would lose nothing.

I requested the sales marketing manager sign an informal agreement stating that there was no stock market risk in the contract and sheepishly deposited $10,000. It did return 10% for the majority of the five years I was in the contract, to my surprise. But what was more interesting was that when the market fell, I lost nothing. I was a believer.

What happened? How did they do that? Here's how.

It was a twist on the traditional fixed annuity. Quite simply, they took the same interest rate the client was to receive in the first place and gave the client an option of allowing the company to buy a call option on a market index with that same money. Brilliant.

You don't need to know a lot about options to understand that they either function or not. This made perfect sense to me. That's how, if the markets go up, the insurance company has an option to exercise which provides the return on the annuity. The insurance company is being reimbursed by the options market. They also explained to me how their annuity does not lose money when the market falls because the money was never in the market. The only amount placed at risk by the insurance company was the interest rate the annuity was going to receive in that year. So, after these discussions I clearly understood how a fixed indexed annuity could have the upside potential associated with the market, without all of the downside market risk.

Modern Annuity Landscape & Decision-Making (2010s-Present)

Many variations of annuities have come and gone over the years. Structured annuities and variable annuities are attempts to limit market risks by utilizing certain contractual provisions. However, our family does not believe in taking risks and making them safer through contractual provisions. This does not mean that we are against risk. We simply have risk money in equities managed by fiduciaries who credit annuity commissions earned against our fiduciary asset management fees. As we do not pay these annuity commissions out-of-pocket, our risk management by the fiduciary management team typically has low or no cost. They also handle our annuity recommendations using our scientific tools. It makes perfect sense to us to take a certain portion of your money and try to increase returns, which can reasonably be expected from it. Historical backtesting on any calculation method is possible and can be used.

Structured annuities may limit some market risk, but they are still risk vehicles. The same is true for variable annuities. Although we do not play in that environment at all with Averill money in the Averill family portfolio, we can still assist you and help guide you through the process if you choose to purchase these types of annuity products.

We did not see the upside potential as being available to us at lower cost, or with a higher propensity, or lower risk. But we know that the vast majority of people who seek annuities are seeking stability of some sort, and we are also among those people.

The fixed index annuity has gone through several incarnations. New crediting or allocation methods have been developed over the past few decades, all of which have been tried, tested, and either accepted or rejected by our agents and equipment. Each of them has their own thrills of victory and agony of defeat. It was only in 2014, almost 30 years after the inception of the product, that we advocated for certain types of allocations that would put us and our management team in the position of literally eviscerating the Date Lottery issue, which has plagued owners of fixed indexed annuities from the outset. Our management style of the right index options is proprietary and will be shared only with our clients.

The current environment and propensities for available allocation methods to perform more efficiently and at higher levels with very low levels of possible disappointment, if managed properly, have never been better than they are now, in our view. This has not always been the case. We found 2012 and 2020 during the coronavirus to be typically horrible times to purchase annuities because the rates on the products purchased by insurance companies to back their annuities were so low.

Candidly, there's not much to discuss in a fixed annuity. It is essentially the interest rate the insurance company can get at the time, minus their spread of how much it costs them to put the product on the books, plus their desired profit. This ultimately equals the amount they can pay the client. The rest of the specifics are included in the contract.

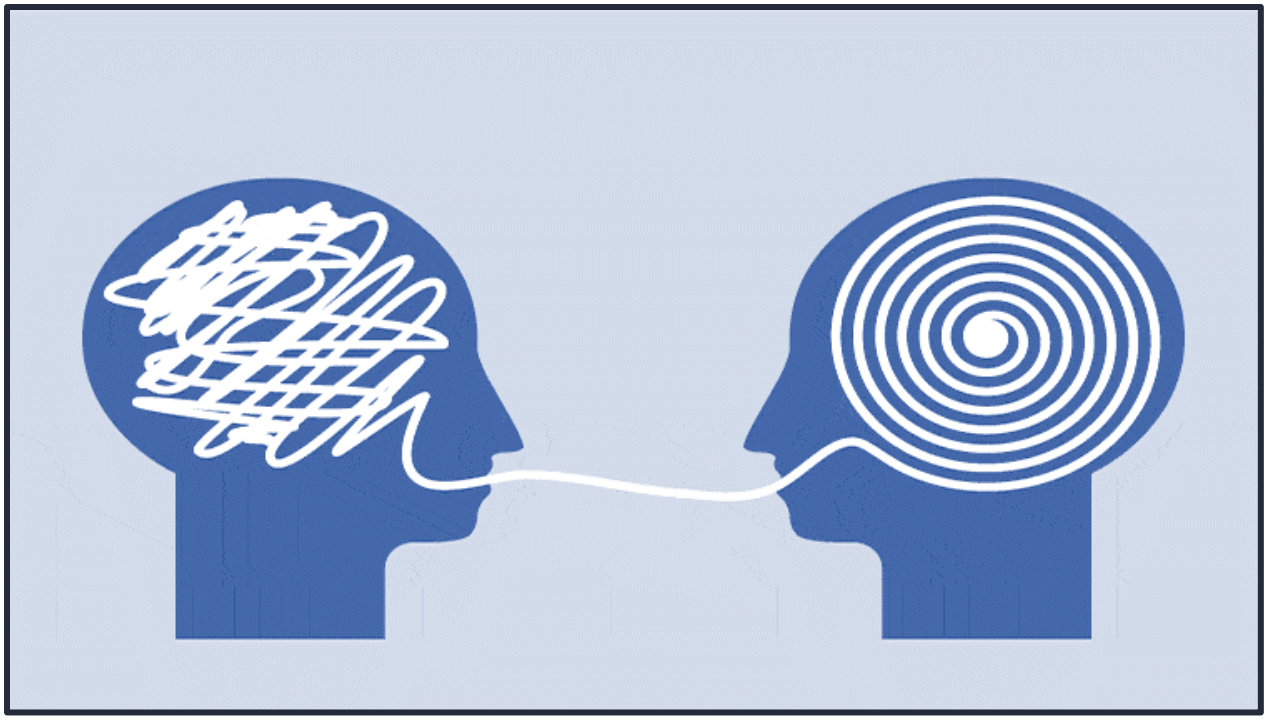
We will now cover the progression and development of allocation methods or interest calculation methods, which have been designed in annuities since the 1980s, up to and including the ones that we favor. We will also provide statistics that prove out the vulnerabilities of most of the most popular currently available contract allocation methods.

If you're serious about getting the best annuity for yourself, remember that you'll indirectly pay a commission to someone since the company will compensate your agent (including our agents) upon the purchase.

We are here to help you through the process, if you wish to open that door. However, keep in mind that although we do not directly bill you for our services, we do earn a profit by being directly paid by the insurance companies that our clients select.

Because of the streamlined nature of our business, the highly efficient systems we have created, and the number of clients we service at a high level, we are able to be profitable even selling the lowest commission products available in the marketplace, if those products are what our fiduciaries believe to be the best fit for the client’s financial situation.

Do not hesitate to ask us to walk you through the search. Ask us directly which contract we would choose if we were you. You are not obligated to purchase anything from us for providing you with our honest and open feedback.



Demystifying Annuities: The Basics

What Is An Annuity?

An annuity is a product that provides a stream of income payments. But did you know that the word annuity is actually multi-faceted? It can refer to a variety of products and income streams, each with its own unique features and benefits.

For example, some annuity products guarantee that you won't lose a penny when the market or indices fall, and have no internal fees. Others are directly invested in securities and carry market risk and applicable fees. There are also actuarial income streams, which are something completely different.

However, when people say the word "annuity" today, they are usually referring to insurance products that offer a stream of income payments through a contractual agreement with an insurance carrier. These annuity insurance contracts specify all interest calculation methods, ensuring that you know exactly what you're getting.

So, while the word "annuity" can mean many different things, over 90% of the time people are referring to annuity insurance contracts, not simply an actuarial income stream. We hope this helps clarify what an annuity is and what it can do for you!

A Love/Hate Relationship?

When it comes to annuities, it's not really logical to say you either like them or you don't. Saying you don’t is saying you wouldn’t consider 50% two-year returns with protection of principle during a downturn…because that has historically happened with certain annuities. The bad taste most people have stems from a bad experience that was based upon a lack of education on their agent’s part about

the Date Lottery. We firmly believe mitigating Date Lottery issues is imperative to successful annuity planning.

It's true that people who have had bad experiences with annuities may say they don't like them, while those who have had great experiences may say they do like them. However, this is just bias, and it's not a fair way to evaluate annuities. You may have had a car that's a lemon…is it logical to say you now hate cars and will never use one again?

So, what's important is not whether you like or dislike annuities in general, but whether you like the specific annuity that you purchase. Annuities can provide a reliable stream of income in retirement, but they also have their own unique pros and cons that you should consider before making a decision.

Some potential benefits of annuities include guaranteed income payments, protection of principal against market volatility, and tax-deferred growth. However, they also have potential drawbacks such as fees, restrictions on access to your money, and potential loss of purchasing power due to inflation.

Ultimately, the decision to purchase an annuity should be based on your individual financial goals and circumstances.

Types Of Annuities

An annuity is an insurance product designed to help you save money for retirement. There are different types of annuities, and you should know what they are so you can choose the one that's right for you.

The two main types of annuities are **variable** and **fixed**. In a variable annuity, the value of your annuity account can go up or down depending on a related market index or other assets depending upon the annuity. In a fixed annuity, the value of your principal deposit remains the same, regardless of market index losses. Fixed annuities can be further broken down into traditional fixed and fixed indexed annuities.

If you are new to annuities and you are looking for both security of principal and performance, I would share that the Averill family has had great success purchasing specific fixed annuities.

Structured annuities are a newer type of annuity that are designed to balance risk and return. They offer some exposure to principal loss, but within a specified parameter to limit risk.

In addition to these basic types, there are different subsets of products that are created for different purposes. For example, an income rider contract is a type of fixed indexed annuity product that provides regular income payments, while a multiple year rate guarantee annuity (MYGA) provides a higher interest rate for a specific period of time.

When choosing an annuity, you'll want to consider factors like surrender charges, beneficiary options, and fees. The Averill family portfolio uses some multiple year rate guarantee contracts that provide guaranteed fixed interest rates throughout the surrender charge period. In addition, we only consider contracts that leave any remaining amounts to be paid out upon death to the beneficiaries with no surrender charge.

It's also important to understand the terms of the contract, such as the guaranteed minimum annuitization calculation balance, and to properly manage the contract after purchase to avoid losing money. If you're new to annuities and looking for security and performance, we can help recommend the right one to fit your specific needs.

My dad shared his perspective with me. He said he doesn’t gamble against the house, even if the house can't stack the deck against him. He'd only consider buying an annuity if all the parameters were locked down and the company couldn't control its performance after the purchase.

If I were stranded on a desert island and could only buy one subtype, I believe that there is really only one type of annuity I would buy: a stripped-down, no-frills, aggressive fixed indexed annuity that tracks the Standard & Poor's 500. I also only consider annuities from highly rated companies that have historically honored their rates after the point of sale.

We don't pay any fees unless our historical testing shows that it's not only paid for itself but is also profitable at extremely high propensities. My dad always said that he wouldn't pay an insurance company an extra percent for an additional guarantee in case the crediting methods they control underperform. “It's against my survival instincts,” he would say. On the other hand, we have fixed indexed annuities that pay 100% of the growth of the Standard & Poor's 500 based on a nominal fee.

Who Should Consider An Annuity?

The Answer Might Surprise You

Who might want to consider an annuity? The answer may surprise you! While it's often assumed that only those seeking retirement income should consider annuities, we believe that this is a misguided stereotype. We don't blindly accept any stereotype without further consideration. For example, advisors may say that younger people should not use annuities for after-tax money because of the 10% penalty charged when withdrawing deferred interest from an after-tax annuity.

While that may seem like a logical reason not to buy annuities, there are situations where annuities can be beneficial for younger individuals. For instance, if a younger couple has a portion of their assets left to them by their parents for the benefit of their children, they may not have any interest in withdrawing any interest in the near future. In this case, a tax penalty can be avoided by simply not taking withdrawals until the penalty no longer applies. Therefore, there's no reason not to consider accumulation annuities for this subset of a younger couple's money, especially considering no tax is charged against growth during the couple's high earning years.

Another common misconception is that annuities are only suitable for qualified money like IRA type monies. However, this is not the case. It doesn't matter what you have your IRA invested in; you'll still pay a penalty for early withdrawal to the IRS and regular income tax, which is not higher or lower in tax-deferred annuities. So, logically, there's no reason why younger people, depending upon their financial

situation, wouldn't consider accumulation annuities for protection of principal and growth on their qualified monies as well.

One of the biggest reasons we believe younger people do not more aggressively use these products is misinformation about negative tax consequences. Another is the lack of general knowledge about the higher level of performance at high propensity in accumulation annuities. Additionally, we're constantly barraged with information suggesting that the stock market is "where it's at," despite the fact that there have been five major economic surprises/downturns during the last few decades that have eviscerated monies in markets, causing several years of downtime waiting for values to return.

Comparing that against something that does not lose principal when market indices fall but has no limit on the percentage of the gain of the market credit when markets gain, it's clear that annuities are a fair fight at best and in the worst of scenarios, annuities would likely do extremely better. In the best of scenarios annuities may not do quite as well, which suggests that a balance of products be used to provide both the best of upside potential while reducing the potential of being wiped out by an unexpected negative market sequence.

Annuities can be a good option for long-term savings, retirement, or inheritance purposes, especially for tax-qualified funds like 401(k) or IRA. Annuities provide tax-deferred growth, which means that you don't pay taxes on your earnings until you withdraw the money. However, premature withdrawal from non-qualified funds may result in a 10% penalty. Depending on the interest rate, the client's tax rate, and how long the money is left to defer, annuities can provide higher returns than CDs even after paying the penalty and taxes.

My father purchased deferred annuities for his grandchildren when they were young, and those same annuities were not activated for school because the kids wound up getting scholarships and paying their way through. So, the money continued in deferral in their names. It's amazing to see how quickly money grows when you are not charged any income tax on the earnings, but instead you are only charged income tax on the money you decide to withdraw. That is one of the benefits you get from tax-deferred annuities.

Age Breakdown

Are you dreaming of retiring early, but worried about being hit with penalties for withdrawing from your 401(k) before age 59 1/2? Don't let that stop you! While most people might tell you it's not possible, many agents are not familiar with the 72T concept that can help you retire early.

If you're 55 and fully retired, there's a way to structure your income using an annuity that's not subject to the 10% penalty. This annuity pays out partially as a return of principal and partially as interest, at a tax-preferred rate. This means you can retire without paying income tax penalties on your IRAs, 401(k)s, or other tax-qualified money.

While this option may not be well-known or recommended by some, it's worth exploring if you're considering early retirement. So go ahead, retire on your terms and enjoy the freedom you've worked so hard to achieve!

For those aged 59 1/2 or above, any withdrawals made from qualified annuities or after-tax annuities will not incur a 10% penalty. Instead, you will only pay regular income tax on the interest you've earned during your lifetime, and only on the amount you withdraw. This means that with some planning, you can spread the tax burden over multiple tax years and reduce your overall tax liability.

If you are under 75 years of age, you may be in the best position to purchase fixed, indexed, and other annuities. It is important to note that insurance companies limit the maximum age of their available products due to the uncertainty of how many additional years an individual may live. As such, if you are 75 years of age or less, you will likely have a wider range of product options to choose from.

For those between 75 and 80 years of age, you will likely have a shorter list of products available to you, and the longer surrender charge periods may be less available or not available at all. However, there are still several ten-year annuity products with high accumulation attributes, and a number of five and seven-year annuity products that may be appropriate for your specific financial situation to choose from.

For those older than 80 but not yet 85, extreme caution must be taken in purchasing annuities since not all products are designed for significant growth, and some may come with additional charges. It is best to seek the advice of your other financial professionals, including your CPA, tax advisors and other fiduciaries to ensure that you fully understand the costs and terms of the product you are considering and how the product relates to your specific financial situation.

Finally, for those above 90 years of age, it may be extremely challenging to find viable accumulation annuities given the uncertainty of lifespan at that age.

Problems With Annuities

Distribution Chain Issues

Buying an annuity can be both challenging and very important. It is surprising how some people work for 40 years, save their entire lives, and then deposit their money into an annuity with little consideration. When buying an annuity, it's crucial to understand that the person selling it often works for an insurance marketing organization that prioritizes agent compensation over client contract attributes.

Moreover, the biggest insurance marketing organizations are often owned by insurance companies themselves. This means that their product recommendations tend to favor the products offered by their parent company, limiting your options. Agents must then decide which products to present, and commission is typically a significant consideration.

We prioritize our clients' goals and objectives over commissions. If we wouldn't buy the contract ourselves or for our own portfolio, we wouldn't recommend it to our clients. Our backtesting is done in a customized fashion by people who have been trained to load accurate data to get accurate results. We also stress that annuities are not "set it and forget it" if you want to maximize your return over the years. We need to pay attention to how the annuity contributions are being managed within the fixed indexed annuity.

After 40 years in this industry, I firmly believe that distribution chain issues are the biggest reasons why people don't end up purchasing the annuity that's best for their application. Additionally, people who sell stocks, bonds, and mutual funds are often biased against annuity products that have surrender charges, while those who sell annuities are biased against securities. This creates dissension instead of synergy.

Another problem with annuities is that many times, the agent or entity selling the annuity is much less proactive in servicing the contract after the point of sale than they were in acquiring the sale in the first place. However, the good news is that the insurance company pays a salesperson to sell you the annuity. You do not need to feel obligated to an agent as if they are working for free. They will be paid by the company that you choose.

The Averill Family annuity purchase methodology has been real-time testing products as they hit the street from the outside, and we have separated those into two categories. We probably do not make all annuity products available to the general public. If I could not look my father in the eye and tell him that I would purchase that annuity if I were the person buying it myself, we will not offer it. Other people can and will sell that product. We prioritize our clients' satisfaction and strive to retain our happy clients' status.

Red Flags

Maybe I'm old fashioned, but I want to know the name of the person who owns the entity that's handling my life savings. The lack of transparency on some annuity websites is concerning. It's shocking that some sites don't even provide the names of their owners or agents. Without any history or track record, it's difficult to trust them.

Backtesting is incredibly useful, but only when done right. One of the biggest issues with hypothetical backtesting is that it needs to be done at the company's current rates, but different companies have different policies on how they handle their crediting rates after the first contract year. This is important information that can only be obtained through owning those contracts or advising clients who did.

It is a red flag if someone expects you to purchase an annuity based solely on hypothetical backtesting results without discussing the company with one of our fiduciaries. Through our years of experience and client statements, we know which companies honor their rates after the point of sale.

We need to be loud and clear with our disclaimer about hypothetical backtesting because it's unethical for other sites to sell annuities based on it. I unfortunately can think of one example of a company that makes sales based on hypothetical backtesting, but the company has a history of dropping caps to near the guaranteed minimum after the first contract year. We're not saying they're scamming, but without knowing the renewal rates a year after purchasing a contract, it's impossible to make an informed decision.

We need to make it clear that relying solely on permutation tests to select companies would lead to a terrible experience. It's important to consider companies that intend to reduce rates later, which may result in a more favorable first-year payout. Historical backtests based on only the first year can create an appealing scenario that is actually deceptive.

However, to make a responsible annuity purchase, it's crucial to study the actual results of the same contract over the past 30 years, not just hypothetical backtests. Websites that don't disclose the names of their associated people or agencies and rely solely on hypothetical backtesting can lead clients in the wrong direction and expose them to adverse selection.

Our 40-year unblemished track record sets us apart from others in the industry who are afraid to associate their names with annuities. We need to emphasize this and play our cards hard, focusing on the importance of actual results rather than just hypothetical backtests. By doing so, we can provide our clients with the best possible outcomes.

Transparency

When it comes to purchasing annuities online, it is important to be cautious and do your research. Make sure you know who you are doing business with, how long they've been in business, the name of the agency, and the names of the agents. You should also find out if they have ever had any regulatory issues and what contracts they do not sell or have access to.

Transparency is key, but it's not enough for a company to just use the word. They need to follow through and provide transparency in their dealings with clients. At our company, we take this seriously and strive to be as transparent as possible. We believe that talking to a 30-year fiduciary who can show you their personal statement on the same annuity you're interested in is much more helpful than just looking at hypothetical backtesting results.

It's also important to keep in mind that just because a contract hypothetically tests out great in backtesting, it doesn't necessarily mean the company will continue offering the same rate in the first year. What really matters is whether the company honors its commitments after the point of sale.

If you're considering purchasing from a website that claims to be transparent but doesn't actually provide any transparency, be wary. Look for information about who you're dealing with and the percentages of clients who are happy or dissatisfied. Personally, I wouldn't trust my life savings with an unknown entity that doesn't have a long list of happy clients stretching out for generations before me.

Technical Insights Into Annuities

Annuity Crediting Methods

When it comes to annuities, the crediting or allocation method is like the motor of the vehicle you're purchasing. Imagine a fixed indexed annuity as a vehicle and the crediting or allocation method you choose as the formula for calculating returns on all of your deposited money.

We know annuities can seem complicated and that's why we prioritize clarity, pragmatism, and transparency. As mentioned, we've created an annuity allocation backtester that takes the guesswork out of choosing products for you and your family.

And yes, you can put money into more than one crediting or allocation method within an annuity. But keep in mind, if you do, you'll receive a mitigated return to the proportion you put into each method.

One of the biggest problems with allocation methods is that many of them are based on indices that don't have a stable pricing history or future. Another problem is that some allocation methods promise extremely high multiplier returns on low-performing indices.

To stay on the cutting edge, we have developed a patent-pending artificially intelligent annuity testing model that we have used internally for nearly a decade.

Our allocation historical backtester allows us to go back in time and evaluate what would have happened if we purchased one annuity every day for 10-60 years and average returns. This helps us identify from a hindsight analysis which allocation methods are capable, although not guaranteed, to make higher returns versus those that may be subject to a Date Lottery issue, meaning you can purchase

one annuity and have a radically different experience than someone who purchases the same product on a different day.

While some people have had bad experiences with Date Lottery issues in the past, we have been able to eviscerate the Date Lottery with our methodology and technology, through appropriate strategy and management.

At our company, we refuse to waste time backtesting annuities that use newer indices without significant historical track records. Instead, we track the results of people who purchased these contracts and use that information to inform our product selection methodology.

We also don't hypothetically backtest any "non-real money, safety net," typically known as minimum guaranteed annuitization value, because it's not real money and would be deceptive to compare it to actual cash accumulation value. Companies will not pay you the guaranteed minimum annuitization value under any circumstances in a lump sum, even after the surrender charges run out, because it is not intended to be paid to you. It is not cash money, so it should not be compared against actual cash accumulation value, which is a completely different thing.

Our focus is on the actual performance of real money in the same account. We believe that spending too much time focusing on the guaranteed minimum value can distract consumers from what matters most: the actual returns on their annuities.

While some annuities offer guaranteed minimum values and rider options, many of these contracts have allocation methods that are prone to the Date Lottery and are not competitive with accumulation-based products. We believe these contracts are sold because people are comforted by the guaranteed minimum values and rider options, but after purchasing the contract, the company may be authorized to reduce current rates, which can negatively affect long-term returns.

At our company, we prioritize transparency and making sure you have all the information you need to make an informed decision about annuities.

Most annuity products have an allocation method that is highly vulnerable to the Date Lottery and is not competitive with accumulation-based products. People may be comforted by the guaranteed minimum values and the extra rider protection against losing a Date Lottery and experiencing poor returns, but this false sense of security is not worth the risk.

Typically the insurance company selling the annuity contract has the power to reduce current rates after the purchase, which can severely impact long-term client returns. Losing the Date Lottery is not the only factor affecting annuity returns; the company's systematic reduction of current rates and caps will make it highly unlikely for the client's actual cash value to exceed the guaranteed minimum annuitization value.

In such cases, the insurance company may encourage the client to hand over their actual account balance, which is valued much less than the non-money guaranteed minimum annuitization factor, to get a higher monthly payment. If the company does receive the account balance, they may retain the remainder of the client's life savings after the death of the last beneficiary receiving monthly payments. This is not an attractive paradigm for us.

We only deal with companies that have a long-term track record of honoring their original participation rates within defined parameters. We know all this because we deposit our own money in the products that we recommend. If a client asked us to purchase a contract that we do not believe in or have not purchased ourselves, we will refuse to sell it to them. Our reputation is our most valuable asset, and we do not want to risk it by selling a product that we do not believe will satisfy the client long-term.

We caution people purchasing income rider contracts that if inflation ever rises, which it frequently does, it could have an ugly impact on the contract's performance. It's important to be pragmatic and think long-term when purchasing annuity products.

Many people who have purchased annuities are facing a problem where their buying power is decreasing every year due to inflation. The annuity payout they receive does not take into account the current high inflation rates.

Annuities offer different allocation methods, and one of the earlier methods was the annual capped point-to-point method. This method credits the client with the growth of the Standard & Poor's 500 index up to a maximum limit of 10%. This method offers protection of principal to the downside, but it does not perform well compared to other uncapped methods. It is also subject to timing issues where a person can have the market up 30% all year but the day before their anniversary the market can fall 50%.

Another method called the Performance Trigger was created to compete against other methods. This method offered a higher fixed interest rate than what was currently available. For example, if the going fixed interest rate a client could choose to receive in cash was 3%, the Performance Trigger might be 6%.

Overall, while the capped point to point method was viable at one point, it is not useful today due to Date Lottery issues and limited returns. The Performance Trigger method, on the other hand, offers a higher fixed interest rate but may not be as competitive as other uncapped methods. If the market goes down, there's no credit. This feature became popular because people were usually happy to get more than they expected. However, it has limited upside and can be affected by the Date Lottery, which means that the performance of the annuity can be different depending on when you bought it. An inverse performance trigger is a similar feature that pays out if the market falls.

There are advantages and disadvantages to using a Performance Trigger. The advantage is that it can credit higher than fixed interest rates and usually pays out in a flat market. The disadvantage is that it has limited upside and can be affected by the Date Lottery.

Your experience with an annuity will depend on many factors, including the allocation options you choose and the date you buy it. The Date Lottery has been largely solved, but it's still important to understand its effects. The Averill family portfolio does not use performance triggers or inverse Performance Triggers in any annuity strategy.

Participation Contracts

To provide higher upside potential without limits, a new allocation method has become popular where clients are given a portion of the market index without any caps. The majority of money deposited in annuities by the Averill family and their clients are in uncapped allocation methods tied to the S&P 500.

Clients have credited over 50% net two-year returns without limits, and the historical backtesting shows that this method performs at the highest level. A variation of this method allows clients to pay a fee for an extra 20% higher return on the S&P index without any caps.

Examples:

40% participation annual on the S&P, no cap, no fee

Or

60% participation annual on the S&P with a 1.5% fee.

- If the S&P is up 10%: The no-fee contract pays 4%; the fee contract pays 6% - 1.5% or 4.5%.
- If the market is up 20%: No-fee pays 8%; Fee pays 10.5%.
- If the market is up 30%: No, fee pays 12%; Fee pays 16.5%.

The biggest advantage of this methodology is that it leverages volatility, unlike managed strategies. The problem with managed contracts is that they do not take advantage of radical volatility while avoiding losses. This is where the industry is missing the mark.

Although there is a Date Lottery effect on an annual basis, the advantage of this type of crediting is that if there is a significant market drop, you can achieve a higher return. In an annual point-to-point contract with a cap, if the market is up 30% all year but drops 50% on the day before your anniversary, you'll only get the first 10% of the bounce back. However, with this contract, there is no limit as to how much of the bounce back you can achieve.

Looking at the history of the Standard & Poor's 500, there is no comparison between taking 60% of the growth in the next three years without limit versus taking the first 10% of growth with a limit. Markets jump back after downturns, and it doesn't make sense to limit returns.

One downside of this method is that credits are issued once a year or every two years, which means you are spending out of your principal in the meantime. What you spend will not receive credit when the anniversary comes around because it is not in the account.

While this is the most effective and consistent performing index with a long-term track record, it is not as subject to the Date Lottery as other methodologies. However, people hesitate to go into a two-year uncapped participation contract because if the market is down in two years, they could be waiting up to four years before they get their first credit. This is highly unacceptable if you are spending into your principal for retirement income.

Major carriers will likely release a new product later this year, which we believe will solve the Date Lottery problem. Our fixed index annuity portfolios have outperformed the market due to the methodologies we use. Therefore, you do not need to wait for the new product to be released to benefit from our expertise - we have been utilizing a variety of products to manage portfolios for over a decade.

Traditionally, retirees have had to navigate conflicting advice from securities and insurance professionals. However, we believe working with a fiduciary who limits their earnings to a disclosed fee

in their asset management services can eliminate this conflict. At no additional cost, our clients can benefit from our expertise and portfolio strategy, and we can offer low-commission products thanks to our streamlined and artificial intelligence selection capabilities. While we don't disclose our proprietary management methodologies, we're always available to guide our clients through the process.

Managed Volatility Options

Managed Volatility Options were introduced during times of financial duress, but it seems counterintuitive to try to control volatility on a fixed indexed annuity that already provides principal protection. While there are exceptions with a longer track record and stable pricing, the vast majority of these products have shown extremely high performance only under selected dates and charts. Our fiduciaries' assessment of managed volatility proved correct, with very few options passing actual permutation backtesting. The advantages of managed volatility indices include higher consistency of return at a higher than fixed interest rate, but it is still viewed as a misguided attempt to solve the Date Lottery at a cost. The lack of historical data on many of these low-traffic indices is concerning, and it is reasonable to assume that established indices like the S&P or Dow will provide more stable pricing options in the future.

That's why we sell annuity contracts with guaranteed minimum caps in participation rates, and prioritize the use of tried-and-true strategies for your money. We understand that the stability of future option pricing is important to annuity consumers, and we take this into consideration when utilizing fixed index annuities in our allocation method.

While we typically steer clear of managed volatility contracts, we have discovered a subset of these contracts that can offer a solid application for those seeking a higher return with a higher level of stability. Our Averill family portfolio includes certain specific managed volatility allocations with certain specific carriers, but this should not be taken as a recommendation to purchase any managed volatility contract.

If you ask us to do historical testing on a managed volatility contract, please don't be offended if we refuse. It's common for the indices to have no history, and we cannot invent track records. Some companies may try to guess at what would have happened in the past based on current trends, but we do not believe in this approach. Instead, we focus on the future and strive to make informed decisions based on sound principles and proven strategies.

Averaging Methods

Averaging methods were the industry's first attempt to eliminate the Date Lottery. However, this type of allocation has waned in its usage, as it has a number of Date Lottery-driven issues.

Despite the intention of producing a win-win scenario, averaging crediting methods turned out to be a situation where averaging mitigates already mitigated returns. They were typically incredibly complicated, built to mitigate risk, and had a tendency to deliver average returns. Furthermore, they

often showed a moderate return in years when other annuities showed no gain. Although this may seem beneficial, it encouraged people to stay in averaging, resulting in disappointing returns.

Averaging methods were the most complicated and costly to build into our backtesting. Our agents are so skilled at averaging that when clients asked us to do permutation tests on averaging we provide a couple of scenarios of extreme growth, providing ridiculously low returns, utilizing that formula, and an example of the same, showing a moderate return during a down market, and it usually clears it up for the client.

We will always consider any new averaging method that presents itself as a competitor in this market place. However, it will be thoroughly backtested against the actual point values of the indices it's based on. This will help us determine if based upon historical data whether this approach is likely to be effective or not.

While averaging methods have some advantages, such as paying moderate returns during down markets when other annuities don't, they are complicated and convoluted, and already protect your principal against market downturns. It's also virtually impossible to track them on a daily basis, and they often underperform the fixed interest rate they were supposed to improve upon. Moreover, to the extent that they solve the Date Lottery, which is mitigated, that benefit is lost many times over by the limit to the upside in typical markets.

The Averill family portfolio does not use averaging methods. Averill agents do not currently utilize, advertise, or recommend any averaging methods to any client.

What We've Learned & What We Avoid

With over four decades of experience in the annuities industry and a track record of serving more than 10,000 clients, our team has accumulated a wealth of knowledge. We are excited to share some of the valuable lessons we've learned along the way, which we believe will greatly benefit you. In this section, we delve into the major insights we've gained, providing you with valuable information and insights to enhance your understanding and make informed decisions.

First, let's cover some of the things that we always avoid and why.

Why We Don't Use Averaging

Averaging precludes achieving high returns as a method of trying to lessen the effect of the Date Lottery. In our methodology, we do not concern ourselves with the Date Lottery at all. We have solved it with more pragmatic means that do not cost us returns. At the time when averaging was developed, it was better than nothing against the Date Lottery. However, it has never been a popular option in the history of the Averill portfolio.

Why We Never Risk Control

At our company, we utilize annuities that protect your principal from loss due to market downturns. We've eliminated the Date Lottery altogether. That's why we don't feel the need to use additional risk control strategies that could potentially reduce your returns. Many companies slip in the Standard &

Poor's 500 risk control index with uncapped participation. However, these strategies can be very different from the Standard & Poor's 500 and could lead to an unintended purchase.

Instead, we focus on buying from highly-rated companies that offer good principal protection from market downturns. We believe that by going for the greatest return possible and trying to limit market downturn risks we can help combat inflation and achieve the best returns possible for your money.

Why We Never Use Specialty Indices

Specialty indices typically have sketchy short-term track records that do not go back more than 30 or 40 years. This means unstable option pricing. From my experience, clients are more disappointed than not when they select averaging options or specialty indices. There are exceptions, but I'm not a big fan of being a pioneer with my retirement money.

Why We Never Use Caps

While capped annuity contracts have their advantages, our extensive experience in the field has taught us that they are not our favorite choice. The advantage of caps is that you get 100% participation in the market index up to the cap, but it limits high returns. Our methodology considers this limitation, but there has scarcely been a decade where our clients weren't looking at returns of 40 to 50% on their two-year allocations. If your principal jumps by 50% in two years, whatever rate of return you get subsequently is on 150% of the money you started with. Therefore, if you were cruising along at 7% and had one 50% jump in your values, your income stream thereafter would be equal to if you were making 10.5% on the original amount you had.

People forget that if you're not losing during the down years, you want all the volatility that you can get, if you are being credited on the up years' volatility. I have never figured out why anyone would want to limit themselves from the potential for leapfrogging up their principal amount without limitation during volatile market environments. This is why we exclusively use Standard & Poor's 500 induction in our portfolio with very little exception and uncapped participation.

Contracts have been a huge part of client satisfaction and our personal satisfaction, coupled with our proprietary methodology for management, which reduces the Date Lottery effect. We simply don't believe there's any other way. People take 30% bonuses on a fictitious annuitization value without even realizing that they probably won't want to give over their account balance to the company when the time comes. While they're doing that, they don't pay attention to the parameters on the real money - how much is there in real money, and how much is it going to grow?

Additionally, it is presumptuous to think that no insurance carrier could ever possibly have any issues. Purchasing a contract that entails you assume you are going to have to leave your assets with that carrier for the rest of your life comes too easy to people in my view. Field experience gives us the depth of experience with these products, but product design does even more so. Above all, there is no replacement for having held the majority of your own personal assets in these types of accounts consistently for decades.

*Note: past returns are no guarantee of future results.

Avoid Annuitizing

If your financial situation allows, do not annuitize, meaning do not convert your annuity into regular income payments. Why? Because it creates the potential of leaving your life savings to an insurance carrier instead of your family. People typically annuitize to get more monthly income, but we believe that typically inflation and poor performance issues can reduce the actual amount received. Instead, we recommend avoiding Date Lottery issue contracts and knowing the renewal rate history of what you're buying. We consider annuitization a last resort. We have never annuitized a family annuity nor do we intend to.

What's the alternative? You can still get paid without annuitizing. Annuities typically have cost-free withdrawal parameters that renew annually. We typically have the insurance company make monthly deposits into our client's checking account at no cost, without annuitizing. We set the withdrawal level lower than the contract's performance and continue to monitor it to ensure you're getting the most out of your annuity. This way, the remainder of your assets upon death go to your loved ones instead of an insurance company.

Monthly Caps are Never Enough

The monthly cap is a perfect example of an annuity allocation type that can achieve amazing returns but does so very infrequently.

The monthly-cap was a methodology that the Averill family used exclusively for a long period of time, but this was when monthly caps were extraordinarily higher than they are today.

The percentage of the monthly cap is extraordinarily important; the lower it is, the higher the number of zero return years that will prevail. This is because, in monthly caps, although you get just the limited upside growth of the market on a monthly basis, subtracted from that is 100% of all the downside months with no limitation. It's not a fair fight.

It was the best available, and the best on the market with respect to being capable of higher returns and, therefore, it averaged out as the best for a long time, from approximately 2000 to 2010. The Opti Choice products by Lincoln Financial maintained those products. Those products were designed by our friends at Jefferson Pilot after Lincoln bought them.

Below is an example scenario of the past performance of current monthly cap rates available on two of the most frequently sold products in America; these are compared to our favorite product and management.

The difficult thing to understand about monthly caps is that they are both one of the best and one of the worst options at the same time. There's kind of no middle ground, or the middle ground is dangerous. For example, with a 2.2% monthly cap, one can easily say that the upside potential of that monthly cap would be 6.99%, or that the monthly cap is capable of paying at that level. Nothing would preclude a salesperson from saying that because it's true.

Now notice the propensity. In the same scenario, it was much more likely for a person to end up in the Unhappy category, with 78.83% falling into the Unhappy category, and only 0.1% falling into the Happy category.

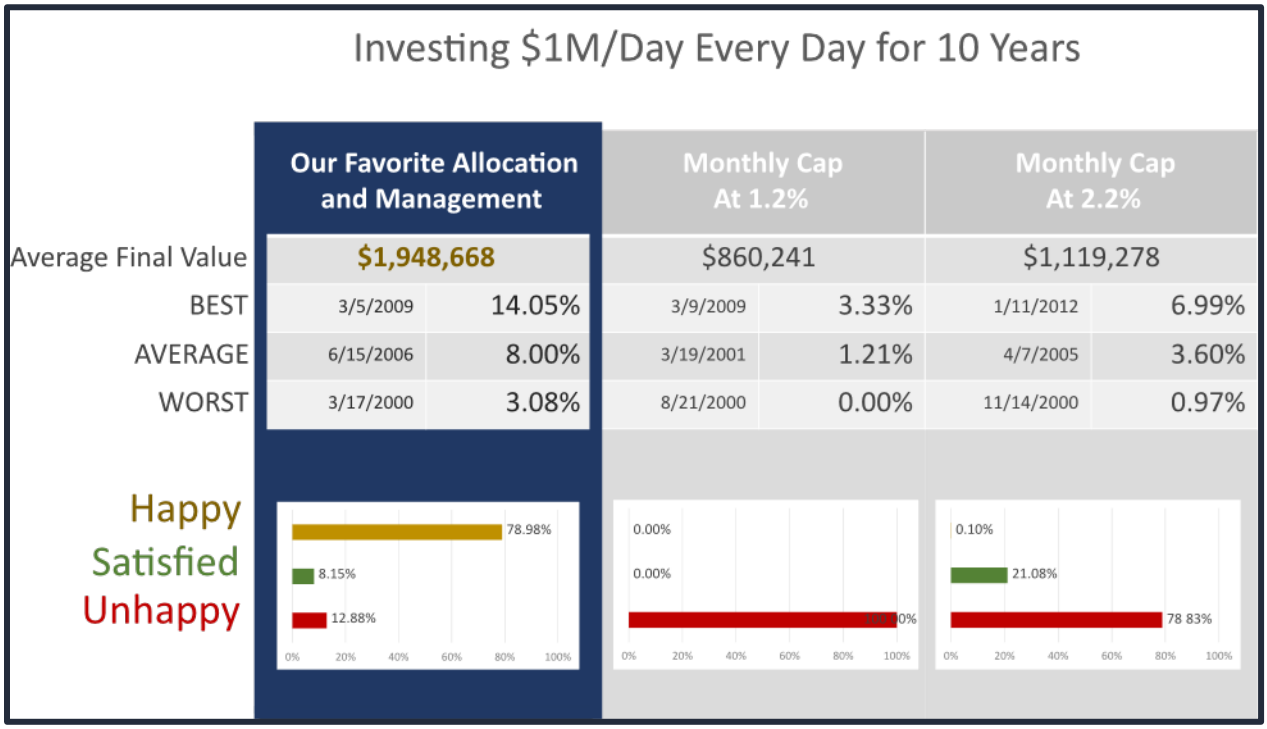


Figure 1 Results Starting from 8/19/1999

Staggered 2-Year Point to Point w/ Participation				Monthly cap S&P 500				Monthly cap S&P 500			
OUR FAVORITE ALLOCATION AND MANAGEMENT				MONTHLY CAPS HORRIBLE AT 1.2%		Years		MONTHLY CAPS ARE HORRIBLE @ 2.2		Years	
Staggered 2-Year Point to Point w/ Participation			S&P 500	Monthly cap S&P 500				Monthly cap S&P 500			
Investment Allocation:		25%	Year 1 Part. Rate		Investment Allocation:	25%			Investment Allocation:	25%	
Participation Rate:		100.00%	73.00%								
Spread:		0.00%			Monthly Cap:	1.20%			Monthly Cap:	2.20%	
Fee:		0.00%			Fee:	0.00%			Fee:	0.00%	
Withdrawal Allocation:		25%			Withdrawal Allocation:	25%			Withdrawal Allocation:	25%	
USE THIS AS:		INVESTMENT		USE THIS AS:		INVESTMENT		USE THIS AS:		INVESTMENT	
Portion A	Portion B	$1,000,000.00	Withdrawals	Rate	Starting	$1,000,000.00	Withdrawals	Rate	Starting	$1,000,000.00	Withdrawals
$500,000	$546,355	$1,021,355.00	$25,000.00	1.20%	0.00%	$975,000.00	$25,000.00	2.20%	0.00%	$975,000.00	$25,000.00
$488,054	$533,301	$996,355.00	$25,000.00	1.20%	0.00%	$950,000.00	$25,000.00	2.20%	0.00%	$950,000.00	$25,000.00
$476,108	$520,247	$971,355.00	$25,000.00	1.20%	0.00%	$925,000.00	$25,000.00	2.20%	0.00%	$925,000.00	$25,000.00
$464,161	$507,194	$946,355.00	$25,000.00	1.20%	0.00%	$900,000.00	$25,000.00	2.20%	0.00%	$900,000.00	$25,000.00
$452,215	$567,182	$994,397.46	$25,000.00	1.20%	0.00%	$875,000.00	$25,000.00	2.20%	0.94%	$883,469.76	$25,000.00
$536,783	$553,273	$1,065,055.55	$25,000.00	1.20%	0.30%	$852,590.75	$25,000.00	2.20%	5.34%	$905,640.81	$25,000.00
$524,472	$645,145	$1,144,617.38	$25,000.00	1.20%	0.00%	$827,590.75	$25,000.00	2.20%	3.51%	$912,425.41	$25,000.00
$608,461	$631,356	$1,214,816.39	$25,000.00	1.20%	0.07%	$803,182.04	$25,000.00	2.20%	5.22%	$935,084.14	$25,000.00
$596,192	$618,625	$1,189,816.39	$25,000.00	1.20%	0.00%	$778,182.04	$25,000.00	2.20%	0.00%	$910,084.14	$25,000.00
$583,922	$605,894	$1,152,316.39	$25,000.00	1.20%	0.00%	$753,182.04	$25,000.00	2.20%	0.00%	$885,084.14	$25,000.00
Effective Annual ROR	Average Annual ROR	Max RORs 1-Yr / 2-Yr	Min RORs 1-Yr / 2-Yr	Effective Annual ROR	Average Annual ROR	Max RORs 1-Yr / 2-Yr	Min RORs 1-Yr / 2-Yr	Effective Annual ROR	Average Annual ROR	Max RORs 1-Yr / 2-Yr	Min RORs 1-Yr / 2-Yr
3.44%	8.60%	12.70%	0.00%	0.03%	0.04%	0.30%	0.00%	1.28%	1.50%	5.34%	0.00%
		21.69%	0.00%			0.30%	0.00%			8.85%	0.00%

Figure 2 Inputs and Details

Why We Never Use Income Riders

Think about what these words mean: guaranteed minimum annuitization value. It means that if the Date Lottery hits you in a way that your returns are insignificant, there will be a calculation of a factor which, although expressed in dollars and cents, should not be confused with your real money. That factor would be used in the case that you wanted to give over your entire balance to the company in return for a promise to be paid an unspecified amount monthly based on that minimum guaranteed factor.

Simply put, our strategies have so radically outperformed the guaranteed minimum returns on those contracts, notwithstanding that they typically charge a one percent fee to have the guaranteed minimum. Here's my analogy: If you have a car that gets 20 miles per gallon, would you spend money on a recurring service fee that guarantees you would never get less than 15 miles per gallon? I wouldn't.

In any market, there are those who simply follow the crowd without doing enough research and analysis to make a fully informed decision. I often wonder why so many people seem to be following the same strategies, even if they may not be the best fit for their individual needs. At our company, we believe that this approach is not always the most effective.

Let's take a step back and think about who exactly is recommending the commonly sold annuity contracts. Many of these products are heavily incentivized by commissions. Lower-commission products are often overlooked by agents for obvious reasons. And that may not be in the best interest of the consumer. Some folks prefer going with the crowd, and that's who those products are designed for. I recommend taking a more logical and analytical approach to making decisions about your life savings.

At Carleton E. Averill, II & Associates, Inc., we want what’s best for the client; and ultimately what’s best for the client is best for our company. We are willing and able to recommend lower-commission products when it’s in the best interest of our clients.

The Averill Method

The Search

If you have been searching for the right annuity, you might be feeling frustrated or overwhelmed. There are thousands of available contracts from many different companies. If your agent sells the same one to everyone, what is the chance that this one annuity is the best fit for all situations?

Wouldn't it be more logical that you would need to consider all of those annuities to determine which is the best for you and your specific situation?

Maybe you have been proactive in your search and have already learned that your financial person has only sold a couple of different annuities in the past year, and only has access to sell a handful of options.

Did an agent ask you detailed questions about your goals, your plans, your liquidity needs, or provide factual comparative information supporting why the contract they recommend is superior for your needs?

The Shortlist

Our approach is based in empathy. We gather enough information to put ourselves in your shoes. This is a crucial step. Based on that we are able to eliminate whole categories of unsuitable annuity types to narrow down the choices. There is just not time to comprehensively review thousands of annuities, so why bother reviewing unsuitable annuity types that you have eliminated based on your needs. The first

"thinning of the list" happens by learning what you are trying to accomplish, and eliminating the "white noise" of contracts not designed to do what you need.

Only after this initial step do we use our state-of-the-art technology to create a shortlist of suitable products for you to consider. This process eliminates contracts from the shortlist that have allocation methods with Date Lottery problems, poor return history, or other problems of that nature. We believe if you want a product you will be satisfied with, that is the second necessary step (in that order).

Why do we do things this way? We believe in treating people the same way we would like to be treated, which has led to our positive reputation and our history for client satisfaction.

An agent from our agency can help you interpret the shortlist, by running fresh historical comparisons on the shortlist contenders.

But then the most important step: our agents analyze companies on the basis of whether or not they would purchase the contract based on your goals (not ours).

Some of the reasons our agents drop companies from the shortlist include:

- Known high instances of client dissatisfaction with the company or the product;
- Some companies maintain a practice to keep first year offering rates level after the first year and others lower rates after the first year by design or custom. These practices make contracts "appear" to perform better at first blush, but in reality they may not be performing as well as others.

This is where our history and personal experience of having reviewed annuity historical statements over the years comes in to assist you in reviewing the various annuity options on the shortlist. We attempt to help you avoid those "loss leader" contracts that look intriguing in the first year, but may not be the most beneficial for you in the longer term.

The Method

The Averill Method is a strategic approach to helping you achieve your financial goals and secure a prosperous retirement. By following a series of carefully constructed steps, we can guide you towards making informed decisions about annuity products. Our method is designed to provide you with a clear roadmap, empowering you to navigate the complexities of retirement planning with confidence and clarity.

Keep in mind, we can save you the effort, and do everything for you:

Step 1: Determine Your Financial Goals

We firmly believe that understanding your unique financial aspirations is the foundation of successful planning. By collaboratively defining your objectives, we gain valuable insights into what matters most to you and how to tailor our recommendations accordingly.

Step 2: Decide on Your Number

What return rate will you need to maintain your desired lifestyle during retirement? Our expert advisors will guide you through the process of identifying the optimal return rate that aligns with your financial objectives for your long-term security.

Step 3: Run the Intelligent Backtester

With the help of cutting edge AI backtesting technology, we leverage data-driven analysis to test-drive potential annuity products. This enables us to determine which options possess the highest propensity for delivering superior returns, all while considering your individual goals and preferences.

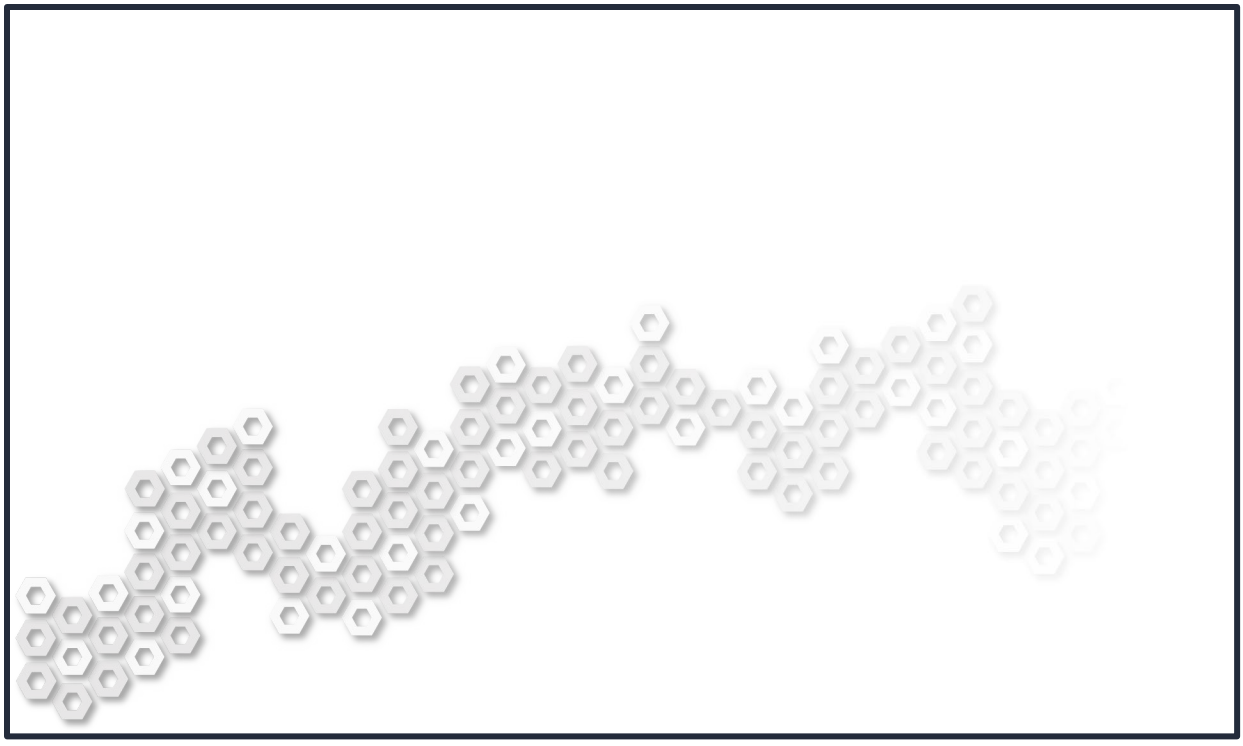
Step 4: Planning Meeting

Our team of dedicated fiduciaries takes a holistic approach to planning, going beyond the numbers to truly understand your unique circumstances. Putting themselves in your shoes, they examine every aspect of your financial situation, ensuring that the chosen annuity perfectly fits your life.

Step 5: Client Presentation

We believe in complete transparency and want you to be an active participant in the decision-making process. During the client presentation, we provide a detailed breakdown of our methodology, explaining the rationale behind our recommendations. Your input and feedback are essential, and once we receive the green light, we proceed with the annuity purchase on your behalf, keeping you informed every step of the way.

At Carleton E. Averill, II & Associates, Inc., we are committed to providing you with a comprehensive, personalized experience that leads to optimal outcomes to help reach your goals and maintain your peace of mind.



How AI Is Changing The Annuity Industry

Artificial Intelligence Boosts Returns: Which Methods Actually Credit At The Highest Propensity

When you're deciding what to do with your life savings, it can feel impossible to determine which of the thousands of annuity products are best for your goals. Artificial intelligence is providing factual clarity on a number of topics which were previously considered to be a matter of opinion or ambiguous.

Of all the annuities available, there is likely a very small subset that have the best characteristics for you and your specific plans. You are thrown into a sea of opinions and ambiguity in a world where many advisors question whether or not it's even possible to backtest annuities. Artificial intelligence confirms that backtesting is in fact possible. You don't have to take our word for it. Just ask ChatGPT.

At Carleton E. Averill, II & Associates, Inc., we'll show you our own personal portfolio. We only recommend products we own ourselves. If you set up an appointment with us, feel free to ask us if our agent has their money in an annuity that resulted from our analysis.

Prior to the development of our intelligent backtester, we were basing annuity purchases on statistics, and then manually adjusting the allocation timing method to eliminate the Date Lottery. It was tedious, but it worked.

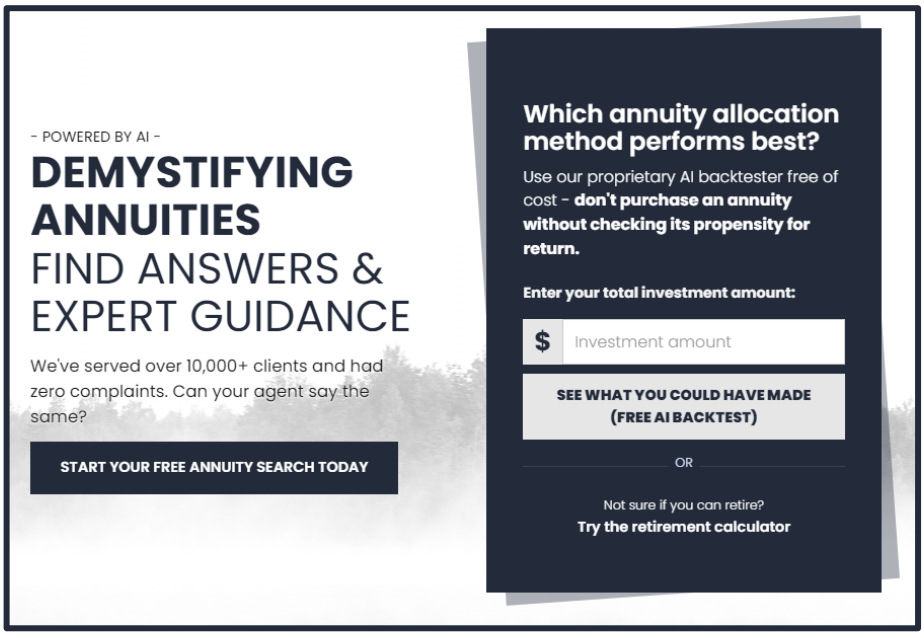
In fact, our methods have worked so well over the decades, that we invested millions of dollars into our artificially intelligent models that enhance those methods by performing backtesting as well as comparisons to measure propensities for returns.

We still count on our agents and fiduciaries for their expertise, but this technology works for us, and is allowing us to expand in a measured, valuable way.

Artificial intelligence now gives us, for the first time, the ability to share our process, proprietary testing tools, and methodologies that some industry thought leaders use to purchase their own annuities.

Why Isn't Historical Testing The End-All Be-All?

Backtesting is important, but it won't tell you if the company that is promising you income for the next 40 years is purchasing below investment-grade bonds, or if they've only been in existence for five years as compared to a company that has been in business for over 100 years. It's important to know if the carrier you decide to trust has a past performance history that matches what they show in their current illustrations. How long have they been is business? Are they looking to be bought out? What are their ratings, and with which ratings companies? Do they honor their renewal rates? Would people buy from them again?

The experience factor counts, and it has to be specific experience in annuities because they are all different and vary per state as well. It has been my family's life study, and we are very proud that we have kept people happy. It is a simple science that we practice. We simply never forget to ask people about their expectations going in. If we don't believe the products we offer are capable of meeting or exceeding your expectations, we will let you know up front. We take on the cases where we believe the products we offer are capable of exceeding our client's expectations. And we know what those expectations are because we bothered to ask in the first place. But most importantly, we don't forget about clients as if they don't exist after the point of sale.

Visit our website, www.AnnuityAnswers.com to run an AI backtest on the annuity you are considering. I wish you well on your journey to secure your life savings.