



Legislative & Regulatory Updates

2012

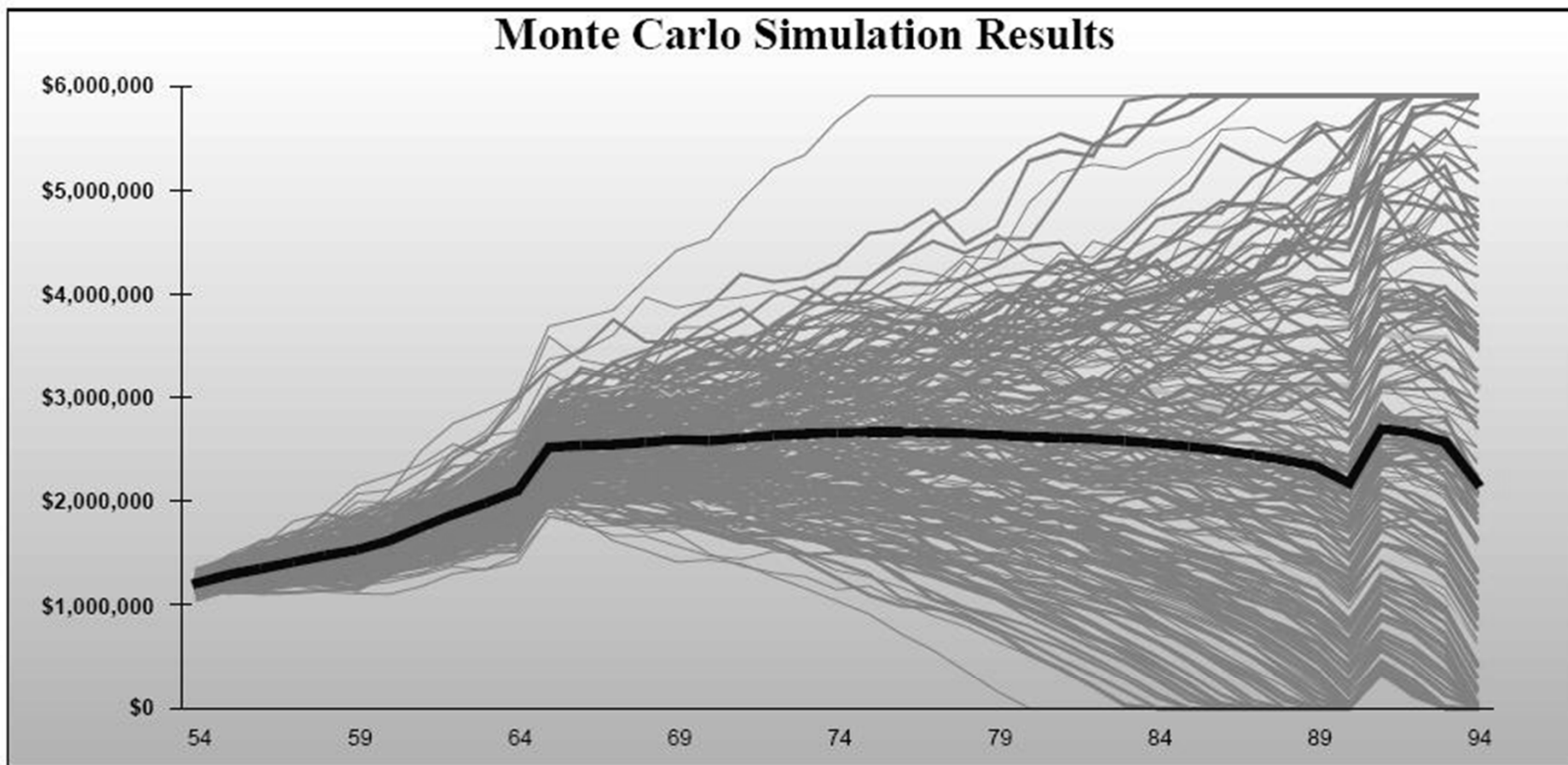
Last Man Standing?

- Double your E&O Premium.
Professional Liability Insurance
- License Revocation.
- Fines to \$150,000.

Results from 10,000 Monte Carlo Simulations:

Original Retirement Capital estimate	\$2,176,092	Percentage of results above zero*	75%
Minimum (worst case) result	\$0	Percentage with \$ remaining at Allen's age 89	91%
Average Monte Carlo result	\$2,509,708	Percentage with \$ remaining at Allen's age 84	99%
Maximum Monte Carlo result	\$23,019,143	Percentage with \$ remaining at Allen's age 79	100%

*Percent of times money is remaining at last life expectancy.



The bold line is the estimated retirement capital value over time using fixed rates.

Current rate of return is 5.15% in the original estimate and varies from 4.14% to 7.89%, with portfolio changes. This simulation used a 4.50% standard deviation to create ten thousand sets of normally distributed random rates of return based on the annual rates of return in the original estimate (95% of the rates fall between -4.86% and 16.89%). A standard deviation rate of 2.00% was applied to the inflation rate used on personal expenses.

Why do we care?

ANNUITIES

- DOL: Requires lifetime income option.
- Increases longevity of managed assets by 7% to 60% and more.*
- Decreases withdrawal rate from 4.5% to 3.2%.*
- *Based on Balanced Portfolio & 25% Annuitization.

Legislation

- The State is now compelled to bring action against financial advisors under the Safeguard Our Seniors Act

Legislation

- Affiliated Parties is “more inclusive” now includes third-party marketers

Legislation

- Safeguard Our Seniors Act provides for greater communication among regulators

Legislation

- Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
 - Fiduciary
 - Documentation
 - Process

Florida Statute 627.4554

Sets forth Standards and Procedures for making recommendations to SENIOR CONSUMERS

Who does it apply to?

- Any insurance agent or insurer

How this affects all of us?

- Loss of confidence of the public

Violations & Prohibitions

Fraud

Unauthorized Trading

Churning & Twisting

Annuity Switching

Unsuitability

Margin-trading

Over Concentration

Not in MY Family

- *Agent As Beneficiary or Trustee*

Unfair Practices & Penalties

Twisting & Churning

- 1st Degree Misdemeanor
(*term of imprisonment not exceeding 1 year*)
- Administrative fine not greater than \$5,000 shall be imposed for each nonwillful violation
- Administrative fine not greater than \$75,000 shall be imposed for each willful violation

Suspensions & Revocations

Two Strikes – You're **OUT**

2 Revocations = No License

If revocation involves a Senior

One strike – **YOU'RE OUT**

LMS Tip

Paul Elliott, JD, CFP

“ Document, document, document.”

MobileAssistant.us

Copytalk.com

FinancialTranscriptionoutsourcing.com

LMS Tip

Ed McGinty

“ The answer is in the contract.”

Application of Annuity contract provisions.

Clients expect Advisors to advise.

Advisors must know to meet CFP Standards, Business practice standards, Fiduciary.