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**What is a variable annuity?**

* From investor.gov, a variable annuity is a contract between you and an insurance company. It serves as an investment account that may grow on a tax-deferred basis and includes certain insurance features, such as the ability to turn your account into a stream of periodic payments.
* There are two phases
  + 1. Accumulation Phase – money you put in that gets invested or put into a fixed account where there is guaranteed interest.
  + 2. Payout(annuitization) Phase – when you begin getting paid out, can be a set time like 20 years or indefinite period such as a lifetime. Can be fixed or vary depending on mutual fund performance.

**Polaris Platinum III**

* Variable Annuity offered by AIG
* AIG is a large reputable company with almost $600 Billion in assets plus $65 Billion in equity
* Maximum penalty-free withdrawal amount is 10% of remaining purchase payments not yet withdrawn
* Can be invested in combinations of the following:
  + Variable Portfolios
  + Fixed Accounts
  + Dollar Cost Averaging Fixed Account
  + Secure Value Account (optional Living Benefit only)
* **Costs**
  + Maintenance fee ranges from .46% to 2.11%
  + Max withdraw charge is 8%
  + Taxes may be complex and even uncertain, higher if under age of 59+1/2
* **Risks**
  + Uncertain market conditions
  + Need for money now may lead to larger unwanted penalties
  + Difficulty in understanding where investments are going
* **Rewards**
  + Steady stream of income after time
  + Insurance in case of death for spouse in joint account
  + A strong market could lead to large gains
  + Another stream of income besides social security or other retirement options

**We need to keep the above in mind if we are going to sell. We need to be clear on the risks/rewards. We are trying to make people money, that means customers make money and we make money.**

Basically we are looking at investing in the market or offering a steady return to people willing to invest in the Polaris Platinum III

**Benefits and Risks to B&W**

* Risks for us
  + We are new to variable annuities so we have some learning to do
  + We may make a few mistakes along the way
* Benefits for us
  + Open mind on how to compete in the market
  + We can make money while providing safety and security to our customers
  + Can succeed even more with a strong market
* Risks for customers
  + May be entering unfamiliar territory with unexperienced company
  + Complex or intimidating plans need to be simplified for customers
  + They may need payouts before they make gains, penalties can result from early access
* Benefits for customers
  + Can have steady stream of reliable income that can’t be touched by politicians
  + Can do better when the market does better
  + Have an extra source of income in case of death for spouse

When modeling this problem I try to go with what basic information would I want to know. That would be costs and possible rewards. I learn what the product is and what it can do. This case, it’s a possible steady stream of income whose performance can vary. If you can wait, the reward can be great. I want to know about the money because that is what this all about and that is exactly what the bosses would want to know. How much can we make and when? What kind of risks are we taking to make this money? If those questions can be answered the rest of the details are less important.