

Investment Products: If It Has to Be Sold, Don't Buy It!

By William Reichenstein and Larry Swedroe

Non-financial firms can make consistent profits by combining parts into a whole. For example, GM buys parts, puts them together, and sells cars for more than the cost of the parts. GM adds value by putting the parts together.

But financial firms cannot add value merely by buying securities and combining them into a portfolio. Mutual funds can charge a convenience fee for combining securities into a portfolio and for reinvesting the distributions, but these conveniences can be attained for 0.20% or less. Thus, there is, at best, a very small value added merely from combining securities into a portfolio.

Many investors have not thought about this concept or its investment implications. But it explains why investors should avoid investments and investment products with commissions. This extra charge is only going to a sales person, and that sales person is not providing a service—or adding value—to the individual investor.

Loaded Mutual Funds

For example, a no-load mutual fund buys securities, puts them together, and sells pro-rata shares of the portfolio—that is, mutual fund shares—for cost. The no-load fund does not sell the mutual fund shares for more than the cost; in finance, the value of the whole portfolio does not exceed the sum of the parts.



There are two ways that open-end mutual funds are distributed, that is, two ways that they acquire cash. Some open-end mutual funds are sold by a sales force including brokers, as at AG Edwards and those in a bank's lobby and commission-based financial planners.

Their compensation is based on a one-time upfront sales fee (i.e., front-end load) and sometimes a smaller annual trailing fee, which is part of the 12b-1 fee. Sometimes these fees are as low as 0.35% per year, but they can be considerably higher.

The other distribution method is by direct purchase from the fund or direct marketing. These mutual funds may be purchased via mail, 800 numbers, or directly through supermarkets such as at Charles Schwab.

Because brokers do not receive compensation for selling these direct purchase funds, there is no incentive for them to recommend them.

From an investor's viewpoint, if an investor can select a mutual fund, there is no reason to pay a middleman's fee. Simply put, the front-end sales commission comes directly from the investor's pocket. The 12b-1 fee is part of the annual expense ratio, so it, too, comes directly from the investor's pocket.

Do You Get What You Pay For?

A frequent refrain from commission-based brokers is that loaded funds cost more because they have better managers and thus produce higher returns.

This argument can be rejected on the surface, because

the broker who may be in Walla Walla, Washington, has nothing to do with the security selections of the manager who may be in New York, New York.

But studies have also shown this to be the case. Table 1 shows the results of a study of tax-exempt bond funds. It presents the average load, average expense ratio, and average net return across load and no-load tax-exempt bond funds. Net returns are the annual returns the investor receives after the annual expense ratio, but they ignore the up-front load.

For funds in the same style-based category, the average no-load fund consistently has lower expense ratios and produces higher net returns.

Other studies have reported similar results, and refute the notion that load funds produce higher net returns.

One reason why load funds have higher expenses is that their expense ratio not only has to compensate the fund manager but it also must pay the broker's trailing 12b-1 fee. Notice that the average no-load fund's net return advantage in Table 1 is usually similar to its average expense ratio advantage. For example, the average load fund in the high-intermediate category had a 0.45% higher expense ratio, which largely explains why it produced a 0.54% lower return than the average no-load fund. These results and the similar results in

Table 1. Average Net Returns on Load and No-Load Tax-Exempt Bond Funds: 1997–2000

Sample	Net Returns (%)	Expense Ratio (%)	Combined Load (%)
High-Grade Short-Term			
Load	3.86	0.90	1.80
No-Load	4.31	0.53	0.00
High-Grade Intermediate-Term			
Load	4.57	1.08	3.47
No-Load	5.11	0.63	0.00
High-Grade Long-Term			
Load	4.81	1.22	3.90
No-Load	5.57	0.64	0.00
Medium-Grade Short-Term			
Load	3.86	0.98	2.29
No-Load	4.22	0.62	0.00
Medium-Grade Intermediate-Term			
Load	4.38	1.37	2.50
No-Load	4.77	0.64	0.00
Medium-Grade Long-Term			
Load	4.34	1.28	3.89
No-Load	4.91	0.78	0.00

Combined load is the sum of front-end load and deferred load.
Source: Adapted from Domian and Reichenstein, "Predicting Municipal Bond Fund Returns," *Journal of Investing*, Fall 2002.

the other studies indicate that, on average, load funds' higher expense ratios come directly out of investors' hides.

Our recommendation: Investors should first select an asset class in which they want to invest. Then they should select a no-load, low-cost mutual fund or exchange-traded fund within this asset class.

Since a load mutual fund has to be sold, don't buy it!

Variable Annuities

With few exceptions, variable annuities are high-cost insurance products. They are sold by commission-hungry salesmen. They are not bought by individuals for their investment features.

A deferred variable annuity contains mutual funds in an insurance wrapper that provides tax-deferred growth and

a death benefit.

To discuss the advantages and disadvantages of variable annuities, let's examine two investments being considered by Mary. First, she can buy mutual funds X and Y and hold them in her taxable account. Second, she can buy mutual funds X and Y and hold them in a variable annuity.

[Note that we are talking here about deferred variable annuities, where someone is accumulating funds in a tax-deferred vehicle for retirement. It is not about immediate annuities (payout annuities), in which an individual buys a guaranteed stream of income for either a fixed period or for life. As will become clear, high-cost deferred annuities, including equity-indexed annuities (EIAs) discussed later, make lousy vehicles for accumulating retirement wealth. However, payout annuities often

Table 2. Variable Annuities vs. Taxable Accounts With Bond Funds

	Variable Annuity	Taxable Account
Gross Return (%)	4.6	4.6
Expense Ratio (%)	2.0	0.2
Net Return Before Taxes (%)	2.6	4.4
Taxes (%)	??	1.1
Net Return After Taxes (%)	??	3.3

make sense as vehicles for distributing retirement wealth.]

Variable Annuity Advantages

The advantages of the variable annuity include:

- Tax-deferred growth,
- A death benefit,
- The ability to convert the annuity into a lifetime income at a later date, and
- Creditor protection (in some states, variable annuities provide better protection against creditor lawsuits than taxable accounts).

The tax-deferred growth feature is widely considered the annuity's major advantage, and that is typically the sales pitch.

Returns are tax deferred when held in a variable annuity, while distributions from mutual funds held in taxable accounts are taxable each year. Moreover, if Mary should decide to sell Fund X and buy Fund Z, it is a nontaxable event if done in a variable annuity account, while it would be a taxable event if done in a taxable account.

Variable Annuity Disadvantages

The disadvantages of the typical variable annuity include:

- High costs,
- All deferred returns, including those from capital gains and dividends, are eventually taxed as ordinary income,
- Loss of potential to avoid taxes on capital gains by awaiting a step-up in basis at death or donating appreciated shares to charity,
- Inability to harvest losses to reduce taxes and loss of foreign tax credit,

- Early surrender fees,
- 10% penalty tax on withdrawals before age 59½, and
- Investors must bear the credit risk of the insurance firms.

To sum up, the major advantage of the variable annuity is its tax-deferred growth, while the major disadvantage is high costs.

But do the annuity's additional costs exceed the value of tax-deferred growth?

Costs vs. Benefits: Is It Worth It?

The typical annuity has costs that exceed 2% per year, and this total ignores the annual contract fee of about \$30.

The insurance fee may be 1.25% per year, while the underlying mutual funds—Funds X and Y in the example—may each charge 1% for a total annual cost of 3.25%.

Let's consider two examples. In the first, we'll assume Funds X and Y are bond funds; in the second example, we'll assume they are stock funds. In these examples, we'll also assume the annuity's annual costs are a relatively low 2%, and ignore the annual contract fee.

Table 2 compares the annuity and taxable account when the underlying asset is taxable bonds. Today's yields on

10-year Treasury notes are about 4.6%, so the 10-year gross return on this note or a government bond fund holding such notes would be about 4.6%.

After paying the 2% expense ratio, the annuity provides a 2.6% net return before taxes, and taxes on this account are deferred until payouts.

The low-cost government bond fund in the taxable account has an annual expense ratio of 0.2%, so it provides a 4.4% net return before taxes. If Mary is in the 25% tax bracket, she would pay 1.1% in taxes and earn 3.3% after taxes.

Clearly, the taxable account's 3.3% return beats the annuity's 2.6% return. Moreover, the 3.3% return is after taxes, while the 2.6% return is merely tax deferred; the 2.6% will eventually be taxed.

To understand why the typical annuity fares poorly, consider that the 2% expense ratio is comparable to a 43% current-year "tax" rate [the annual 2% fee is 43% of the 4.6% gross return]—this is the cost you must pay to put the money in the tax-deferred environment. However, this 43% rate exceeds the tax rate from holding the bonds in the taxable account. The additional costs of the annuity far exceed the value of tax-deferred growth.

Table 3 considers an example where the mutual funds are stock funds. It assumes stock returns average 8% per year, which is consistent with long-run projections of many professional and academic scholars. It compares stock funds held in an annuity to low-cost, tax-inefficient stock funds held in a taxable account.

After paying the 2% expense ratio,

Table 3. Variable Annuities vs. Taxable Accounts With Tax-Inefficient Stock Funds

	Variable Annuity	Taxable Account
Gross Return (%)	8.0	8.0
Expense Ratio (%)	2.0	0.2
Net Return Before Taxes (%)	6.0	7.8
Taxes (%)	??	1.17
Net Return After Taxes (%)	??	6.63

the annuity provides a 6% net return before taxes. These returns are tax deferred until withdrawal, at which time all returns are taxed as ordinary income.

The low-cost stock funds held in a taxable account provide a 7.8% net return. In practice, some of their returns will likely be tax deferred in the form of unrealized gains. However, in Table 3, we assume they are invested in extremely tax-inefficient funds—they realize all capital gains each year, so they do not benefit from allowing unrealized capital gains to grow tax deferred. The individual investor pays taxes each year on dividends and capital gains at the preferential 15% rate. The 7.8% before-tax return is reduced by 1.17% for taxes, [15% of 7.8%], offering a 6.63% aftertax rate of return.

Not only do these tax-inefficient stock funds offer higher rates of return than the annuity [6.63% vs. 6%], but the annuity's 6% return is merely tax deferred. Taxes will eventually have to be paid on the annuity's 6% return and the applicable tax rate will be the rate on ordinary income. Clearly, the additional costs of the typical annuity far exceed the value of tax-deferred growth.

In this example, the 2% expense ratio represents 25% of the annuity's gross returns. It is better to pay 15% taxes each year than to reduce returns by 25% each year for the benefit of tax-deferred growth.

The advantages of a taxable account would be even greater if the funds held in it were low-cost, tax-efficient stock funds that allowed capital gains to grow unrealized.

In addition, assets held in taxable accounts provide tax options that are not available on assets held in other savings vehicles including variable annuities. If an asset's value increases in a taxable account, the tax liability on the gain can be eliminated by awaiting the step-up in basis at death or giving the appreciated asset to charity. If its value decreases, its loss can be harvested to reduce taxes. Furthermore, the foreign tax credit on assets held in taxable accounts can be used to offset taxes, but this foreign tax credit is lost on assets

held in variable annuities.

Surrender Charges

Another disadvantage of variable annuities is surrender charges, which tend to lock an investor into an annuity. A typical annuity allows withdrawals of up to 10% per year with no surrender fee. The surrender charge on additional withdrawals may be 7% in the contract's first year, 6% in the second year, 5% in the third year, and so on with no surrender fee for withdrawals beyond year seven.

If the insurance firm paid a sales commission of 7% to the broker then the first-year's surrender charge must be 7% to allow the insurance firm to get back the 7%. Since the annual insurance charge is usually about 1.25%, the surrender fee can decrease by 1% per year without loss to the insurance firm. In short, the surrender fee and part of the annual insurance fee is a necessary cost to cover the sales commission; it is no accident that high-commission products have high expenses with commensurately low returns.

Once an annuity's surrender period is finally complete, the salesman will often encourage the investor to exchange the original annuity for another one. The salesman gets another commission and the investor is saddled with yet another multi-year surrender penalty.

The Death Benefit

The death benefit clearly has value, but it is usually less valuable than the investor suspects. In order for the death benefit to pay off, two things must occur:

- 1) The value of the underlying mutual funds—the cumulative value of Funds X and Y in the example—must decline, and
- 2) The investor must die.

Suppose Mary is sold a \$40,000 annuity at age 60 and invests half each in Funds X and Y. Five years later, the values of the funds are \$22,000 and \$10,000. If she died today, her beneficiaries would receive \$40,000, and the death benefit would be worth \$8,000. However, if she is like most 65-year-

old women, she will live an additional 15 years or longer. Since the value of the funds will likely exceed \$40,000 at her death, the death benefit will probably prove worthless. The death benefit only pays off if the account value (less prior withdrawals) is less than \$40,000 at her death.

Vanguard has a variable annuity with no death benefit. As a rider, they will sell this return-of-principal death benefit for an annual cost of 0.05%. It is safe to say that Vanguard's actuaries are not giving away this insurance. Since the typical annuity's annual insurance fee is 1.25%, it should be clear that the value of the death benefit is a trivial fraction of the insurance firm's annual fee.

Conversion

Another alleged benefit of a variable annuity is that it provides the investor with the opportunity to attain a guaranteed lifetime income.

However, you do not have to buy a deferred annuity during your accumulation years in order to have the opportunity to buy a lifetime income during your distribution years. For example, at age 50 Mary could invest in low-cost mutual funds held in taxable accounts. Then, at age 75, for example, she could exchange these funds for an immediate annuity that will pay her a lifetime income. She does not have to pay the typical annuity's exorbitant fees for the 25 years during her accumulation years in order to have the opportunity to attain a lifetime income in her distribution years.

Another indication that the conversion "benefit" is oversold is that only perhaps 3% of annuity buyers take advantage of the opportunity to exchange the contract for a lifetime income; this "benefit" apparently has no value to the other 97%.

Protection Against Creditors

In some states, annuities provide better protection against creditors than taxable accounts. However, tax-deferred accounts (such as 401(k)s, Keoghs, and SEP-IRAs) and tax-exempt accounts (such as Roth IRAs and Roth 401(k)s)

provide better creditor protection than annuities. A medical doctor may consider an annuity for its creditor protection, but there are likely to be cheaper forms of insurance available.

Insurer Ratings

Finally, an annuity is a contract with an insurance firm. The owner of a variable annuity must bear the credit risk of the insurance firm.

Individuals should only consider investing in annuities of insurance firms with the highest credit ratings.

When They Make Sense

Investing in a non-qualified variable annuity makes sense only if these three conditions are met:

- The investor has contributed all funds allowed to tax-deferred retirement accounts such as 401(k)s, 403(b)s, and Keoghs and tax-exempt retirement accounts such as Roth IRAs and Roth 401(k)s.
- The investor wants an underlying investment in bonds, REITs, commodities, or some other tax-inefficient investment. As discussed earlier, if an investor wants an underlying investment in stocks, they should invest in a tax-efficient stock fund instead of even a low-cost variable annuity.
- Finally, the annuity should be one of the few low-cost ones such as those offered by TIAA-CREF and Vanguard. Since they avoid salesmen and use low-cost funds, their annual expense ratios are below 1% and they have no surrender fees.

The Variable Annuity Bottom Line

The overwhelming majority of variable annuities have high costs that exceed 2% per year. They are sold by salesmen with an eye on the commissions.

Not surprisingly, the costs of covering the commissions explain most of the product's higher costs. There are a few low-cost annuities that make sense for some investors. Not surprisingly, these low-cost choices are not sold through brokers.

Our recommendation: Since it has to be sold, don't buy it!

Equity-Indexed Annuities

Like variable annuities, equity-indexed annuities are deferred annuities. So, they have most of the advantages and disadvantages of variable annuities.

But equity-indexed annuities promise the potential rewards of equity without the downside risk. To accomplish this, the insurance company (in its portfolio backing up the contract) in effect combines stocks with put options that protect against downside risk.

To illustrate the advantages and disadvantages of equity-indexed annuities, we examined the features of two equity-indexed annuity contracts.

Example 1

An equity-indexed annuity issued in 2001 by Midland National Life Insurance Company guaranteed a 3% minimum interest rate, compounded annually, for the life of the contract. In addition, each year the account is credited with an interest (that is, return) equal to the larger of:

- 100% (the participation rate) of the index credit, which is a return linked to changes in the S&P 500 index, or
- Zero.

In other words, the investor is promised stock-linked returns with none of the downside risk in addition to the 3% guaranteed minimum interest rate.

In addition, the investor can exchange the contract for a guaranteed monthly payment for the rest of her life, and it offers a death benefit.

Let's look at the details.

The 3% guaranteed minimum annual interest rate does not apply to the full investment, but is rather a floor on the surrender value, amounting to 70% of principal—for a \$10,000 initial investment, the surrender value would be \$7,000 the first year, increasing by 3% annually. That means the investor must hold the contract for at least 12 years to be assured of receiving the full

\$10,000 principal investment.

The Fees

Then, there are surrender fees. During the first five years, the investor loses 25% of withdrawals (in excess of 10% of account value). The surrender fee is 22.5% in the sixth year and decreases by 2.5% per year until it is zero after 14 years. In addition, the investor loses any accrued interest that she would have received at the end of the surrender year.

Furthermore, the contract has an "interest adjustment" (a market value adjustment), which may amount to an additional fee for withdrawals before the end of 14 years. The interest rate adjustment is calculated according to a complicated formula, but suffice it to say that it potentially could reduce the withdrawal amount by a substantial amount (over 10% under certain conditions)—and this is in addition to the 25% surrender fee.

Returns Linked to Stocks

What about the stock returns—how much of the S&P 500 returns will the investor receive?

The annual "index credit" equals the larger of 0% (thus providing "downside" protection), or a formula that is based on the average level of the price index over the year (the investor gets no credits for stock dividends) relative to the index at the beginning of the year, and a margin around which the index may fluctuate. In this example, the index margin is 2.5% the first year, but it may rise to 8.5% thereafter at the insurance firm's discretion.

To put this formula in perspective, assume stocks earn 20% in a year, including 2% dividends and an 18% increase in the S&P 500 index. If the index rose evenly through the year and the index margin was 5.5%, the "index credit" under this company's formula would be 3.5%. In other words, despite the 20% return on the S&P 500 index, the investor would be credited with a return of 3.5%.

This example shows the loss of upside returns in a bull market, but it

does not show the downside protection during a bear market, which is a big selling point. So, to be fair, we calculated the approximate cumulative return for the most recent 14-year period, which includes the 2000–2002 market crash. For 1993–2006, if the index margin increased to 5.5% for every year after the first year the cumulative return would have been 70%.

In contrast, the S&P 500 index earned a cumulative 323% for this period.

In other words, investors in this equity-indexed annuity would have earned 22% of the market's upside return, despite hanging in for 14 years and thus avoiding surrender fees and "interest adjustments."

Finally, this equity-indexed annuity offered a death benefit, insuring that the beneficiary will receive the account's value at death. That is, assuming the insurance firm has not gone bankrupt—after all, it is a claim on the insurance firm—the beneficiary receives whatever is left in the account, and this amount will not be reduced for surrender charges. We do not think most investors would consider this a "benefit." After all, banks and brokerage firms return to beneficiaries whatever is left in an individual's account after her death, but they do not call this a death benefit.

Example 2

The second example is an equity-linked annuity issued in August 2004 by Allianz, the largest issuer in the industry.

This contract has a cash surrender value of 87.5% of premium paid, which amounts to a 12.5% first-year surrender fee. Since the cash surrender value interest rate is 1.5% per annum, it takes nine years to be assured of breaking even.

This contract promises a premium bonus of 12% on the initial premium payment plus additional payments within five years. So, an initial \$40,000 investment has an immediate annuitization value of \$44,800. What was probably not clear to the buyer is that this higher value only applies if he an-

nuitizes the contract—that is, exchanges the contract for a guaranteed lifetime monthly income (and remember, most buyers never annuitize).

This equity-linked annuity's "annual index rate"—that is, the return credited to the investor's annuitization value—is the "sum of the monthly index rates for the policy year or zero, whichever is greater." The monthly index rates are the smaller of:

- A percentage change in S&P 500 price index, or
- A cap rate.

As before, the investor's linked return does not include dividends. The cap rate was 3.3% in the first year but could be 1% in subsequent years at the insurance firm's discretion.

To illustrate how a 1% cap rate could reduce returns, suppose there is a year in which the S&P price index experiences six months with a 2% increase in the index level and six months with a 1% decrease in index level. Including annual dividends of about 2%, this would produce a stock market total return of about 8%. However, since the cap rate would transform the 2% monthly returns into 1% returns, the account would be credited with an annual index rate of 0%.

To see how this contract would have performed over a 10-year period, we calculated the cumulative returns for January 1997 through December 2006 for such an equity-indexed annuity assuming the cap rate moved to 1% after the first year. This cumulative return was 23.1% or about one-fifth the 124.5% cumulative return on the S&P 500 index with dividends.

If the cap rate was only reduced to 2% beginning the second year, the cumulative return would have been 44.1%, or a little over one-third the return on the index.

Even if the cap rate remained at 3.3%—and remember the insurance firm controls this decision—the cumulative return would have been 87.5%, compared to 124.5% for the S&P 500.

Despite the downside protection provided during the 2000–2002 market

crash, the cumulative 10-year returns were a fraction of the returns on the underlying index.

Suppose the 10-year cumulative return was 44.1%. Would an individual who invested \$10,000 be able to withdraw \$14,410 in cash after 10 years?

No. If she annuitizes after 10 years—that is, exchanges the account for a monthly payment for the rest of her life—then the account value used to determine the monthly payment would be \$14,410. But if she surrenders the account for cash after 10 years, then the surrender value would apply, and it is \$10,155 [87.5% of the \$10,000 original value accumulating at the 1.5% surrender value rate over 10 years]. The cumulative 10-year return would be 1.55% or about 0.15% per year. Since only about 3% of annuity buyers ever annuitize, the 1.55% return is the relevant return for perhaps 97% of the investors.

Once taxes are taken into account, these examples would provide even worse returns compared to stock held in taxable accounts because the annuity accounts do not provide the important tax advantages of stocks held in taxable accounts compared to stock-linked returns held in tax-deferred annuities, as discussed earlier.

In addition, while these two examples illustrate a few of the complexities of equity-linked annuities, we actually left out some of the details of these contracts for simplicity.

In 2005, the NASD (now FINRA) warned investors that these are complex contracts. Given that equity-indexed annuities are, indeed, complex contracts, it should come as no surprise that we do not know any scholar that recommends investments in equity-indexed annuities.

An Alternative Approach

The key sales pitch is the promise of stock-like returns without the downside risk. But this protection comes at a steep price.

Instead of overpaying for the downside protection embedded in equity-linked annuities, we recommend that

investors seeking downside protection over a multi-year horizon invest in a balanced portfolio of stocks and bonds.

Why?

First, a balanced portfolio is a risk-appropriate equivalent to an equity-linked annuity. Second, consider these attributes:

- Since 1926, the 10-year average return on a portfolio containing 60% S&P 500 and 40% Treasury note has never been negative;
- The lowest annual return on a 60/40 balanced portfolio was 2.64% and that was for 1929–1938, a period in the Great Depression;
- The average 10-year return on a 60/40 balanced portfolio has been 9.28%.

In short, for the longer horizons necessary to avoid an equity-indexed annuity's surrender fees, a balanced portfolio provides downside protection without the dramatic reduction in upside potential.

The Bottom Line

The costs to an equity-linked annuity investor include: the brokerage commissions, and the ability of the insurance firm to set at its discretion the participation rate, interest margin, and/or cap rate, allowing the insurance firm

to be assured of receiving its slice of the pie. For the investor, this is a losing formula.

The other disadvantages of variable annuities are also present in equity-indexed annuities. These include high expenses, surrender fees that can last more than a decade, and the 10% penalty tax on withdrawals before age 59½.

With all of the above negatives, why do investors buy tens of billions of dollars' worth year after year?

The reason is simple. The insurance agents frame the situation in a manner that gets investors to focus on the potential for large losses, the principal protection and the guaranteed minimum return. Investors lose sight of the costs and the lost upside potential.

Equity-indexed annuities are the poster child for products that are too good to be true, and should be avoided.

If you already own an equity-indexed annuity, whatsmypolicyworth.com may help you determine your best available option for the contract.

Summary

Unlike manufacturing firms, financial firms cannot add much value by combining parts into a whole. The value

of the whole portfolio cannot exceed the value of the sum of the individual securities.

Mutual funds can charge a convenience fee for combining securities into a portfolio and for reinvesting the distributions, but these conveniences can be attained for 0.20% or less. Consequently, investors should not pay much more for a portfolio than the value of the individual securities.

It follows that investors should avoid investments and investment products with commissions, because the extra charge is only going to a sales person providing a service to the financial firm, and not to the individual investor. These include:

- Loaded mutual funds,
- Variable annuities, and
- Equity-indexed annuities. (Although not mentioned in this article, it also includes structured investment products, which often share many characteristics of equity-indexed annuities.)

Due to the compensation system facing brokers, their best interests are opposed to the best interests of their clients. In the best of circumstances, this makes for a tenuous relationship.

Our simple warning: If it has to be sold, don't buy it. ▲

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