

FINAL EXAM – Annuity 2004 California CE

1. How do immediate and deferred annuities differ?
 - A. In the timing of benefit payments
 - B. Only deferred contracts are guaranteed
 - C. Immediate plans offer long-term growth
 - D. Deferred plans create current income
2. Concerning the risk of variable annuities, which of the following are important to keep in mind
 - A. The insurance company
 - B. The fluctuating nature of investments
 - C. The guaranteed death benefit
 - D. A&B
3. In owner-driven annuity contracts, benefits are based on something happening to the _____.
 - A. Annuitant
 - B. Owner
 - C. Beneficiary
 - D. Insurance Company
4. The downside of buying annuities in retirement is _____.
 - A. Too many could negatively effect liquidity
 - B. Scams may convince seniors they are safer than bank CDs
 - C. Solicitors often pose as experts to sell what a senior doesn't need
 - D. All of the above
5. Knowing the difference between two products you sell is a legal responsibility as proved in
 - A. Acme v. Bolter
 - B. Benton V. Paul Revere
 - C. Sargent v. Rollins
 - D. Jason v. Conner
6. In a fixed annuity, investment authority and risk are the responsibility of
 - A. The agent
 - B. The annuitant
 - C. The insurance company
 - D. The owner
7. When the owner of a non-qualified annuity dies, his entire death benefit must be distributed within _____ years.
 - A. 3 Years
 - B. 5 Years
 - C. 7 Years
 - D. 9 Years
8. The Rule of 72 is useful to quickly tell how long it will take invested money to double with _____.
 - A. Taxes already removed
 - B. No tax or deferred tax
 - C. Capital gains applied
 - D. Double digit interest rates
9. Advertising to seniors is defined as the use of envelopes, stationary, business cards or other materials designed to _____.
 - A. Attract attention
 - B. Mislead consumers
 - C. Describe or encourage the purchase of an annuity
 - D. Tell a story
10. Disadvantages of owning annuities for people over 60 years include:
 - A. They have less time for tax-deferred growth to work
 - B. They are closer to the age when they may need to withdraw funds
 - C. They are not subject to the IRS 10% penalty
 - D. A & B
11. Which of the following are symptoms that a senior's judgment and mental capacity is reduced or impaired:
 - A. Problems remember recent events
 - B. Difficulty following simple directions
 - C. Disorientation of time and place
 - D. All
12. A refund option provides that the company will pay out an amount equal to _____.
 - A. \$10,000
 - B. Total dollars paid as premiums
 - C. One-half the death benefit
 - D. Double the death benefit
13. Agents advertising a seminar or class about annuities must also add the words _____.
 - A. Free lunch
 - B. Free advice
 - C. And insurance sales presentation
 - D. No investment required

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14. Gain from variable annuities, like mutual funds, is kept by the owner. If investments plummet then _____.
- A. No one makes up the difference
 - B. The state guaranty fund kicks in
 - C. The insurance company chips in
 - D. The annuitant must resign
15. Portfolio annuity renewal rates are based on _____.
- A. Earnings of the portfolio
 - B. A pre-determined rate
 - C. The prevailing prime rate
 - D. Whatever is agreed between the parties
16. The exclusion ratio computes the amount of each annuity payment that _____.
- A. Must be taxed
 - B. Won't be taxed
 - C. Receives capital gains
 - D. Is distributed at death
17. The concept behind dollar cost averaging is that spreading purchases over time will average out _____.
- A. The payout
 - B. Potential highs and lows
 - C. Tax deductions
 - D. The mix
18. A crisis waiver allows the waiver of _____ should an owner illness develop.
- A. Taxes owed
 - B. All surrender charges
 - C. Certain fees
 - D. Nonforfeiture
19. Reasonable expectation theory states that if coverage or benefits are implied to a reasonable person, but not in the language of the policy, then _____.
- A. Coverage / benefits extend to the policyholder
 - B. Only the attorneys get paid
 - C. A lawsuit can commence
 - D. The insurance company wins
20. The distribution of an annuity contract owned inside a qualified plan _____.
- A. Is the same as other qualified plan distributions
 - B. Allows for special tax breaks
 - C. Is not allowed
 - D. Must occur over five years
21. The Rule of 108 calculates the amount of time it takes for _____.
- A. A non-taxable account to double
 - B. A taxable account to double
 - C. A taxable account to triple
 - D. A non-taxable account to triple
22. To justify the *replacement* of a contract, experts believe there should be _____ because of the associated costs.
- A. No commissions involved
 - B. No tax
 - C. Multiple reasons and benefits
 - D. An escrow
23. Post-retirement planning doesn't end when a client retires, because he must _____.
- A. Maximize income
 - B. Refine goals
 - C. Minimize taxes and withdrawal penalties
 - D. All of the above
24. Needs analysis helps the agent sell the right amount of insurance or product _____.
- A. For the right amount of commission
 - B. In the least amount of time
 - C. For the right reasons
 - D. With little resistance
25. Variable annuity free look provisions require that premiums during the first 30 days should be _____.
- A. Placed in a trust
 - B. Held by the owner
 - C. Invested in fixed-income investments
 - D. Invested for maximum return
26. An annuitant-driven contract bases benefits on something happening to the death, disability or age of the _____.
- A. Annuitant
 - B. Owner
 - C. Beneficiary
 - D. Insurer
27. The NAIC recommends that annuities sold into a qualified retirement plan include a disclosure that _____.
- A. The tax-deferred feature is unnecessary
 - B. All proceeds could be lost
 - C. Annuities are high-risk investments
 - D. Double taxation could result

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28. A misleading advertisement might include which of the following:
- A. Coverage is somehow associated with a government agency
 - B. Wording that implies the reader might lose a right unless he acts
 - C. Use of an address that disguise the true identity of the agent
 - D. All of the above
29. Direct mailers designed to produce leads from seniors must now disclose that _____ if it is the case.
- A. An agent may contact the applicant
 - B. All annuities are purchased on a buyer beware basis
 - C. Annuities are risky investments
 - D. Annuities are not liquid
30. A period certain annuity option refers to a guarantee of payments for _____, even if the annuitant dies before the end of this period.
- A. Long period of time
 - B. Undetermined time frame
 - C. Specified number of years
 - D. Less than five years
31. New, in-home solicitation rules require agents to _____.
- A. Give written notice 24 hours before visiting
 - B. Notify the senior that a sales presentation will be given
 - C. End a meeting when requested
 - D. All of the above
32. A death waiver passes on the full account value if an owner dies _____.
- A. Without warning
 - B. Before annuitizing
 - C. Without a will
 - D. During the first year
33. A banded or new money annuity company is described by which of the following:
- A. Segregates different bands of contracts assigning different rates to each
 - B. Old contracts earn one rate, new contracts another
 - C. More advantageous in a rising rate market
 - D. All of the above

34. One investor consideration of variable annuities is the fact that they have the potential to be _____ than conventional savings or fixed annuities.
- A. Safer
 - B. More liquid
 - C. More responsive to economic trends
 - D. Easier to buy
35. A typical living benefit guarantee from an insurer might promise to _____ regardless of how the investment account performs.
- A. Pay a reduced death benefit
 - B. Pay a guaranteed retirement income
 - C. Pay all associated taxes
 - D. Refund any surrender charges

--END EXAM--



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