

SCAM ALERT: ANNUITY CHURNING

Here is how the scam works:

While an annuity may be an important part of an estate plan, annuity owners need to be aware of a practice called “churning.” Most annuities need to be held for a set period of time, often 1 to 5 years, before they can be sold without incurring a penalty or surrender charge. Surrender charges can range anywhere from 10% to 20% of the principal. Unethical insurance agents will try and convince their clients to sell their annuity and use the proceeds to buy another policy, before the surrender period has passed. The agent gets a commission for the purchase of the new policy, but the client pays a large penalty fee for selling their old policy before it has matured. This practice is not only unethical, it is a violation of the California Insurance Code.

Here is important information to protect yourself from this scam:

1. When you buy an annuity, always ask:
 - a. How long is the surrender charge period?
 - b. What is the surrender charge if I take the money out early?
 - c. How long do I need to keep the annuity to avoid a surrender charge?
 - d. Can I take some money out without paying surrender fees and/or other charges?
2. If an agent encourages you to sell a policy during the surrender period to buy a “better product”, get a second opinion from a trusted advisor before you agree to the sale.