On September 3, 2008, I was appointed CEO of the National Association for Variable Annuities (NAVA), an industry trade group first formed in the early 1990’s as an association dedicated to promoting awareness and adoption of (as you may have guessed) variable annuities. Most of you probably vividly remember that time – on the day I reported for work, the S&P 500 had already fallen 13 percent since the start of the year. It would fall another 9 percent by the end of that month, and then another 23 percent by the end of the year. Lehman Brothers, Bear Stearns, and Washington Mutual were NAVA members – and by the end of the year they were gone. My timing could not have felt worse. But as is often true during times of crisis, the great companies and people that form this industry came together, and the foundation of the organization that a year later would become the Insured Retirement Institute was poured.

Later this year I will retire, and IRI will welcome a new CEO. I am deeply grateful to have had the opportunity to work with the many passionate

Continued on page A2

Cathy Weatherford opens the 2017 IRI VISION Annual Meeting

By Catherine J. Weatherford
President and CEO
Insured Retirement Institute (IRI)
and talented individuals, both within our organization and among our member firms, who have helped form and realize the vision for IRI. From a single product trade group primarily representing variable annuity insurers, IRI has evolved to become a multi-faceted association providing research, education, and advocacy across the entirety of the retirement income industry supply chain – and the only association to count the top variable and fixed annuity insurers, asset managers, and broker-dealers among its members. Over the past decade, IRI has developed a comprehensive approach to advancing and supporting the retirement income industry, centering on three pillars:

- **Original Research** – IRI publishes five to 10 original research reports every year, focusing primarily on developing a deeper understanding of the retirement concerns, preparedness, and attitudes of the consumers this industry serves. Retirees, Baby Boomers, Generation X, Millennials – whether saving for or living in retirement, they all need a plan, and to understand how to help them we must first understand as much as we can about them.

- **Education** – IRI has produced, and obtained FINRA review for, more than 50 conceptual education pieces that financial advisors of IRI member broker-dealer firms can use with their clients. Most are no more than a couple of pages long, and clearly and concisely explain retirement related topics such as longevity risk, inflation, how annuities work, planning for health care or long-term care, planning for dementia, and many other topics.

- **Advocacy** – Over the past decade, IRI has developed a strong presence on Capitol Hill and among state regulators. We have educated and informed congressional leaders and staffers to help advance legislative efforts that promote retirement planning and retirement security, such as the Senior$afe Act, Increasing Access to a Secure Retirement Act, and the Lifetime Income Disclosure Act. Perhaps even more importantly, we have led the fight against developments that threaten to hamper Americans’ ability to save for retirement or restrict access to products and solutions, such as proposals to end the tax-deferred treatment of annuities and the DOL fiduciary rule.

IRI research shows that over 40 percent of Baby Boomer and Generation X workers have no retirement savings, and that most of those that do don’t know how to turn their savings into sustainable, lifetime income. As I pass the reins to a new CEO at our VISION annual meeting this September, I wish he or she much success in continuing to build IRI as a force that educates advisors and consumers, smooths the pathways to products and solutions, and helps millions of Americans realize the dream of a dignified retirement.

**Older Investors Summit**

Identifying, preventing, and protecting against elder financial abuse.

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October 17, 2018
Washington, D.C.

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SUMMARY: 2017 TAX CUTS AND JOBS ACT

By LPL Financial

- The tax law has important implications for major corporations, small businesses, and individual taxpayers.
- The bill may shift the trajectory for economic growth, the federal budget, monetary policy, and corporate profits.

<table>
<thead>
<tr>
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<th>Current Law</th>
<th>Final Bill</th>
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<tr>
<td><strong>Top individual tax rate</strong></td>
<td>39.6%</td>
<td>37% (until 2025)</td>
</tr>
<tr>
<td><strong>Married filing jointly tax brackets and rates</strong></td>
<td>10%: $0; 15%; $18,650; 25%; $75,900; 28%; $153K; 33%; $233K; 35%; 417K; 39.6%; $471K</td>
<td>10%: $0; 12%; $19,051; 22%; $77,401; 24%; $165K; 32%; $315K; 35%; 400K; 37%; $500K</td>
</tr>
<tr>
<td><strong>Estate tax exemption</strong></td>
<td>$5.5MM/person</td>
<td>$11MM/person</td>
</tr>
<tr>
<td><strong>State and local tax (SALT)</strong></td>
<td>Deductible</td>
<td>Mostly eliminates; caps property tax/income up to $10,000</td>
</tr>
<tr>
<td><strong>Mortgage interest deduction</strong></td>
<td>Deductible up to $1MM mortgage + $100,000 home equity</td>
<td>Deductible up to $750,000 of new mortgages; no home equity</td>
</tr>
<tr>
<td><strong>Student loan interest deduction</strong></td>
<td>Deductible</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Personal exemption</strong></td>
<td>$4,150/person</td>
<td>Eliminates</td>
</tr>
<tr>
<td><strong>Standard deduction</strong></td>
<td>$6,500 single; $13,000 married</td>
<td>$12,000 single; $24,000 married</td>
</tr>
<tr>
<td><strong>Individual alternative minimum tax (AMT)</strong></td>
<td>Includes a $86,200 exemption + $164,000 phase-out</td>
<td>Increases exemption to $109,000 + phase-out to $1MM</td>
</tr>
<tr>
<td><strong>Child tax credit</strong></td>
<td>$1,000/child</td>
<td>$2,000/child; refundable up to $1,400</td>
</tr>
<tr>
<td><strong>Obamacare individual mandate</strong></td>
<td>Penalty of $695 or 2.5% income for no health insurance</td>
<td>Repeals</td>
</tr>
<tr>
<td><strong>Requires first in, first out (FIFO) upon sale</strong></td>
<td>Flexibility to optimize tax harvesting</td>
<td>No change (i.e., no FIFO requirement)</td>
</tr>
<tr>
<td><strong>Municipal interest tax exemption</strong></td>
<td>Muni interest exempt from federal taxes</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Municipal private activity bonds</strong></td>
<td>Tax-exempt bonds for specific public/private projects</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Advanced refunding bonds</strong></td>
<td>Allowable</td>
<td>Eliminates</td>
</tr>
<tr>
<td><strong>Capital gains</strong></td>
<td>Long term: 0/15/20% (income dependent); short term: taxed as ordinary income</td>
<td>No change</td>
</tr>
<tr>
<td>CORPORATE</td>
<td>Current Law</td>
<td>Final Bill</td>
</tr>
<tr>
<td>-----------</td>
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</tr>
<tr>
<td>Corporate tax rate</td>
<td>35%</td>
<td>21% (permanent)</td>
</tr>
<tr>
<td>Corporate tax rate starts</td>
<td>Not applicable</td>
<td>2018</td>
</tr>
<tr>
<td>Top pass-through rate</td>
<td>39.6%</td>
<td>20% deduction for certain income until 2025 (with caveats)</td>
</tr>
<tr>
<td>Corporate AMT</td>
<td>20% tax to broadly defined alternative income</td>
<td>Repeals</td>
</tr>
<tr>
<td>Expensing</td>
<td>50% expensing through 2020</td>
<td>100% expensing through 2023</td>
</tr>
<tr>
<td>Interest expense deductibility</td>
<td>No limit</td>
<td>Limits to 30% EBITDA until 2021; 30% EBIT thereafter</td>
</tr>
<tr>
<td>Net operating losses</td>
<td>Allows carry backs 2 years; carry forwards up to 20 years</td>
<td>Eliminates carry backs; indefinite carry forwards (with caveats)</td>
</tr>
<tr>
<td>Taxation of foreign income</td>
<td>Worldwide (though only taxable when repatriated)</td>
<td>Territorial; 100% exemption</td>
</tr>
<tr>
<td>Deemed one-time repatriation tax</td>
<td>Not applicable</td>
<td>15.5%, 8% illiquid</td>
</tr>
<tr>
<td>Carried interest</td>
<td>1-year holding period (minimum)</td>
<td>3-year holding period (minimum)</td>
</tr>
<tr>
<td>Minimum taxes from income</td>
<td>Not applicable</td>
<td>10% tax on high-return income; increase to 12.5% in 2025</td>
</tr>
</tbody>
</table>

Source: LPL Research, Joint Committee on Taxation, Senate Finance Committee, House Ways and Means Committee, PIMCO 12/26/17

All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

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In late 2017, IRI and AXA Financial conducted a multi-dimensional study exploring consumer and advisor perspectives regarding retirement saving and investment risk. Specifically, the study sought to develop an understanding of consumer investing behaviors, the extent to which those behaviors are aligned with, or detrimental to, the achievement of financial goals, and the receptiveness of consumers and advisors to solutions that address both the desire to protect principal and the necessity of allocating to risk assets in order to reach savings targets and hedge against inflation.

As the accompanying figure shows, the study found that investors with low risk tolerance and low exposure to risk assets (i.e. stocks and stock funds) are deeply concerned with losing principal (83 percent), and in fact more than seven in 10 prefer to realize a lower, certain return on an investment rather than a higher, uncertain return. Even so, these conservative investors are not necessarily resting easy – six in 10 are not comfortable with their current allocation to stocks, and half believe it is necessary to take investment risk in order to achieve financial success. Further, 73 percent are concerned that they won’t be able to generate income that will last them throughout retirement, and 92 percent recognize that inflation is likely to have an impact on their expenses during retirement. Fortunately, the study also found that eight in 10 consumers are interested in learning about products and solutions that can protect principal, such as structured and fixed indexed annuities, and those that can provide guaranteed lifetime income, such as variable annuities with guaranteed lifetime withdrawal or income benefits. Further, and contrary to the contention that such products are “too complex,” eight in 10 consumers also found such products easy to understand, seven in 10 found them to be “appealing,” and a third felt they would feel more secure investing using such products. Considering these findings, the stock market gains of the past several years that can be locked in using structured and guaranteed income annuities, and recent market volatility, it’s a great time to discuss diversifying and protecting your clients assets and creating a more secure retirement pathway.

**FEAR OF LOSS, RISK OF FALLING SHORT**

**Figure 1**

- Don’t Want to Lose Principal
- Concerned Income Won’t Last Throughout Retirement
- Prefer Lower Certain Returns to Higher Uncertain Returns
- Not Comfortable With Current Stock Allocation
- Investment Risk Necessary for Financial Success

**INVESTMENT LOSS**

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THWARTING FINANCIAL ELDER ABUSE

By Gail Buckner
Senior Vice President, Personal Retirement and Financial Planning Strategist
Franklin Templeton Investments

“Let’s face it, although you care about all of your clients, some have a special place in your heart. You can still recall the day 20 years ago when (now) 78-year old Barbara first walked into your office with her husband, Ray. It was clear to you and everyone on your staff they were as much in love as when they met in high school. They were inseparable.”

Barbara eventually found new purpose in her life by volunteering to tutor students. And, gradually much of her former sparkle and spunk returned.

So, you were understandably shocked by Barbara’s demeanor at last week’s meeting. She appeared to have aged 10 years and avoided eye contact. She introduced you to a younger man - her 45-year old estranged son, Kevin, who lives 500 miles away. Although Ray once mentioned him in conversation, you did not see Kevin at his father’s funeral. You listened in disbelief as Barbara nervously explained she had decided to move into an apartment in the town where Kevin lives and would be selling her home because it contains too many memories of Ray! As she explained, since Kevin would eventually inherit the house, this would give him the money he needs right now so he can start his new business.

YOUR HANDS ARE NO LONGER TIED

Dozens of advisors with similar stories have asked me, “What am I supposed to do?” It’s clear the son is pressuring - perhaps even threatening - his mother to make major financial decisions that are not in her best interest. You worry about what will happen to Barbara if she suddenly moves away from the relationships and neighborhood she has known for her entire adult life.

Until February 5th of this year there was little a financial advisor could do to protect a client in this or a similar situation. However, two recent rules enacted by FINRA have given advisors and their firms the ability to intercede on behalf of an elderly client if elder financial abuse is suspected.

PROTECTING VULNERABLE INVESTORS

FINRA Rule 2165 is new. It creates a special category of investor called “Specified Adult.” This is defined as clients who “are particularly susceptible to financial exploitation” and includes anyone age 65 or older. In addition, investors who are at least age 18 are covered by this definition if it is “reasonably believed” that they have “a mental or physical impairment” that makes them susceptible to abuse. (1)

Rule 2165 allows a firm to put a 15-day “hold” on disbursements (cash or securities) from the account of a Specified Adult if there is a “reasonable belief” that they have “a mental or physical impairment” that makes them susceptible to abuse. (1)

Rule 2165 defines financial exploitation in broad terms as:

(A) the wrongful or unauthorized taking, withholding, appropriation, or use of a specified adult’s funds or securities; or

(B) any act or omission taken… through the use of power of attorney, guardianship or any other authority…to -obtain control through deception, intimidation or undue influence, over the specified adult’s money, assets or property, or

-convert the specified adult’s money, assets or property. (2)

Rule 2165 allows a firm to put a 15-day “hold” on disbursements (cash or securities) from the account of a Specified Adult if is there is a “reasonable belief” that financial abuse is or might be taking place. Notice that this does not allow you to ignore a client’s request to liquidate a particular investment.
Thus, if Barbara tells you to sell X number of shares of stock you would do so. Then, following your firm’s protocols, you would report that you suspect financial fraud and document why. Delaying the release of the proceeds from the sale gives your firm- and potentially law enforcement authorities- time to investigate the situation. The hold on disbursements from Barbara’s account can be extended an additional 10 days if necessary.

WHO YOU GONNA CALL?

In addition, FINRA received S.E.C. approval to amend existing Rule 4512 which, among other things, requires that client information be kept confidential. (1) However, if there is reason to believe that a “Specified Adult,” is being exploited, your back office personnel can now reach out to a third party called the “Trusted Contact Person” to discuss their concerns. (An exception is if the Trusted Contact Person is the suspected abuser.) The TCP could also be contacted if, for instance, you report to your manager or back office that you have not been able to get in touch with a client or if you are concerned that he or she is starting to suffer from cognitive decline.

Trusted Contact information must be requested whenever you are opening an account for a new client who falls into the category of “Specified Adult.” In the case of existing clients, you would ask for this when you go through your normal annual review. The client must receive written disclosure that your firm may share their account information with their Trusted Contact Person. A client can refuse to provide a TCP, however, you and your firm must document that you requested this information.

IT STARTS WITH YOU

No one knows your client better than you do, which is why an advisor is in a unique position to notice a client’s change in demeanor or behavior. However, due to the precise recordkeeping and timelines required by these new and expanded FINRA rules, once an advisor reports that they suspect that a client might be a victim of financial abuse, their firm’s back office will take it from there.

If you haven’t yet heard from your firm about these new requirements, information should be forthcoming. FINRA as well as the S.E.C. take financial abuse very seriously.

No one knows your client better than you do, which is why an advisor is in a unique position to notice a client’s change in demeanor or behavior.


2. dictionary.law.com. conversion. n. a civil wrong (tort) in which one converts another’s property to his/her own use, which is a fancy way of saying “steals.” Conversion includes treating another’s goods as one’s own, holding onto such property which accidentally comes into the convertor’s (taker’s) hands, or purposely giving the impression the assets belong to him/her.
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62 or 70? side.

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¹Nationwide as of May 2016. Based on an individual with full retirement age of 66, comparing early filing at age 62 and receiving reduced benefits of 75% of primary insurance amount versus delayed filing at age 70 and receiving credits to increase benefits by 32% of primary insurance amount.

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A Perfect Fit: The Insured Retirement Institute and You

STRONGER TOGETHER

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