



Consumer Federation of the Southeast Warns Public Employees Against Investing in Unvetted Indexed Annuities

Educators among the top targets of those ensnared by unscrupulous brokers selling unvetted indexed annuity plans

TALLAHASSEE, Fla. – In an era in which budgets are being cut drastically and public employees are being asked to carry a larger burden for their own retirement and healthcare costs, the Consumer Federation of the Southeast today issued a warning to educators to “beware” of purchasing unvetted investment plans.

“America’s educators are being targeted and are increasingly being sold investments that aren’t properly vetted and this can turn out to be a financial disaster for the unsuspecting teacher,” said Walter Dartland, executive director of the Consumer Federation of the Southeast. **“Very few people understand what an annuity product is and how much the product costs.”**

Indexed annuities are commonly sold to public employees, and in recent years, teachers have increasingly become the target of unscrupulous investment brokers selling funds with exorbitantly high and onerous fees. Dartland added, “Public employees should read, and become educated, about the high costs associated with certain types of indexed annuities before signing on the dotted line.”

Sales of equity-indexed annuities (EIAs) as investments have become increasingly common. The increased availability of funds with unreasonable fees has caused government entities such as the Financial Industry Regulatory Authority, Inc. (FINRA) to issue “investor alerts” to inform those at risk. FINRA’s investor alert cites the complexity of the investments. According to FINRA, “EIAs are anything but easy to understand. One of the most confusing features of an EIA is the method used to calculate the gain in the index to which the annuity is linked. To make matters worse, there is not one, but several different indexing methods.”

Barbara Roper, director of Investor Protection for the Consumer Federation of America, a lobbying group based in Washington, D.C., calls indexed annuities with high fees **“one of the most abusively sold products on the market today.”**

Recent reports have highlighted the dangers

of these types of investments. According to a recent Bloomberg report: “When Helen Siswein, a retired teacher, heard about an investment that might earn 8 percent a year and never lose money, she was sold,” but Siswein struggled to recover her money when she tried to retrieve her investment. According to the story, “It cost Siswein fees of as much as 15 percent of her account balances to get out of the investments five years later, the contracts show. She says one annuity earned an average of about 3 percent a year after the penalty was subtracted, while the index it tracked, the Standard & Poor’s 500 Index, returned 6.3 percent including dividends.”

Many consumers have purchased these types of investments from unsavory investment brokers, who are incentivized to sell them through outrageous commissions and all-expense paid vacations. Unlike mutual funds, rewards for selling these types of funds are not required by law to be disclosed.

The Consumer Federation of the Southeast encourages making investment decisions, only after careful research, including by reading reports from trusted, third-party organizations to verify the validity of investment funds and fees related to them. **In Florida, for example, public educators can rely on the Independent Benefits Council (IBC), which is a coalition of the Florida School Boards Association, Florida Association of District School Superintendents, Florida Association of School Administrators and the Florida Education Association. The IBC was formed to protect teachers by educating them and by vetting plans through a trusted process.**

For more information about consumer issues and to read other consumer warnings, please visit the Consumer Federation of the Southeast online.

The Consumer Federation of the Southeast is a not-for-profit consumer advocacy group founded in 2003 and dedicated to consumer advocacy in the Southeastern United States. CFSE’s goal is to establish a vigorous, new, pro-consumer agenda built upon public awareness, consumer education and coalition-building.