

# ANNUITY BUSINESS

## Quick Reference Cards

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# INTRODUCTION

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The Annuity Business Quick Reference Cards were created to help you process orders through the Annuity Order Entry (AOE) platform. They include best practices, helpful hints, and general system support. We hope these cards are helpful to you and your team in making annuity purchases on behalf of your clients.

## How to use the cards

- The **front side** outlines general navigation of the AOE Platform and operational requirements
- The **back side** highlights the annuity compliance and suitability review process



## Contact Info

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### For LPL:

(800) 877-7210, option 9, option 1, then 5.  
*When prompted, say “annuities”*

### For Institutional Services:

(866) 321-3640, option 2.  
*When prompted, say “annuities”*

### For any suitability or compliance requirements:

Complex Product Supervision Contact assigned Analyst  
or [CPSAnnuitiesGeneralMailbox@LPLFinancial.com](mailto:CPSAnnuitiesGeneralMailbox@LPLFinancial.com)

# GENERAL BEST PRACTICES



## Opening an account

- An LPL Financial account is required for all annuity purchases
- For qualified orders, an outside investment account is required
- For non-qualified orders, an outside investment account or brokerage account can be used
- For fee-based variable annuities (qualified or non-qualified) an advisory account is required
- The registration and suitability on the account must match the annuity or investments that will be networked

## Before submitting the AOE order

- Client account suitability and profile must be complete on ClientWorks
- The New Account documents must be in good order before final submission
- Ensure licensing, appointments, and product training are in good standing

## Subsequent purchases

- Contract must be networked to use AOE
- Orders are started by selecting Buy Annuity next to the contract number or by selecting New Subpay within the Book of Business Dashboard

## Annuity book of business tool

- Annuities will show on the Book of Business Dashboard the day after they are networked to an LPL account
- The information provided within the Book of Business Dashboard is provided by the carrier
- If the contract doesn't have a **New Subpay** link, it isn't eligible for subsequent transactions within the AOE Platform
- Please see the Annuity Book of Business Quick Start guide on the Resource Center for more details

# GENERAL BEST PRACTICES

## Helpful tips for annuity purchases

### Transactions for senior investors

- Rationale must detail why the client's specific financial situation, goals, and needs specifically support the justification for incurring long-term fees
- The rationale should also address the client's understanding of the product and whether any trusted individual was involved in the discussion

### Concentration of assets with greater than 50% invested in annuities

Please provide:

- Details regarding surrender periods for existing annuities
- Details on how the client intends to handle a financial emergency
- Information on the client's income/expenses and debt

### When choosing the sub-account allocation for the client

- Please make sure that sub-accounts chosen align with the client's current investment objective and risk tolerance

# AOE WORKFLOW - VARIABLE & INDEX (WET SIGNED)



Establish  
LPL client  
account

Enter  
order via AOE  
platform and  
render forms

Submit  
order for  
pre-approval  
review via AOE  
platform

LPL compliance  
review and  
pre-approval

Notification sent  
to advisor for  
pre-approval  
completion

Advisor  
prints forms  
for client  
signatures

Upload PDF to  
AOE order.  
(refer to the  
PDF attachments  
workflow)

Re-submit  
order on  
AOE for final  
approval

Notification  
sent to advisor  
for compliance  
approval

Submit  
paperwork  
to carrier if  
documents are  
not uploaded to  
AOE order

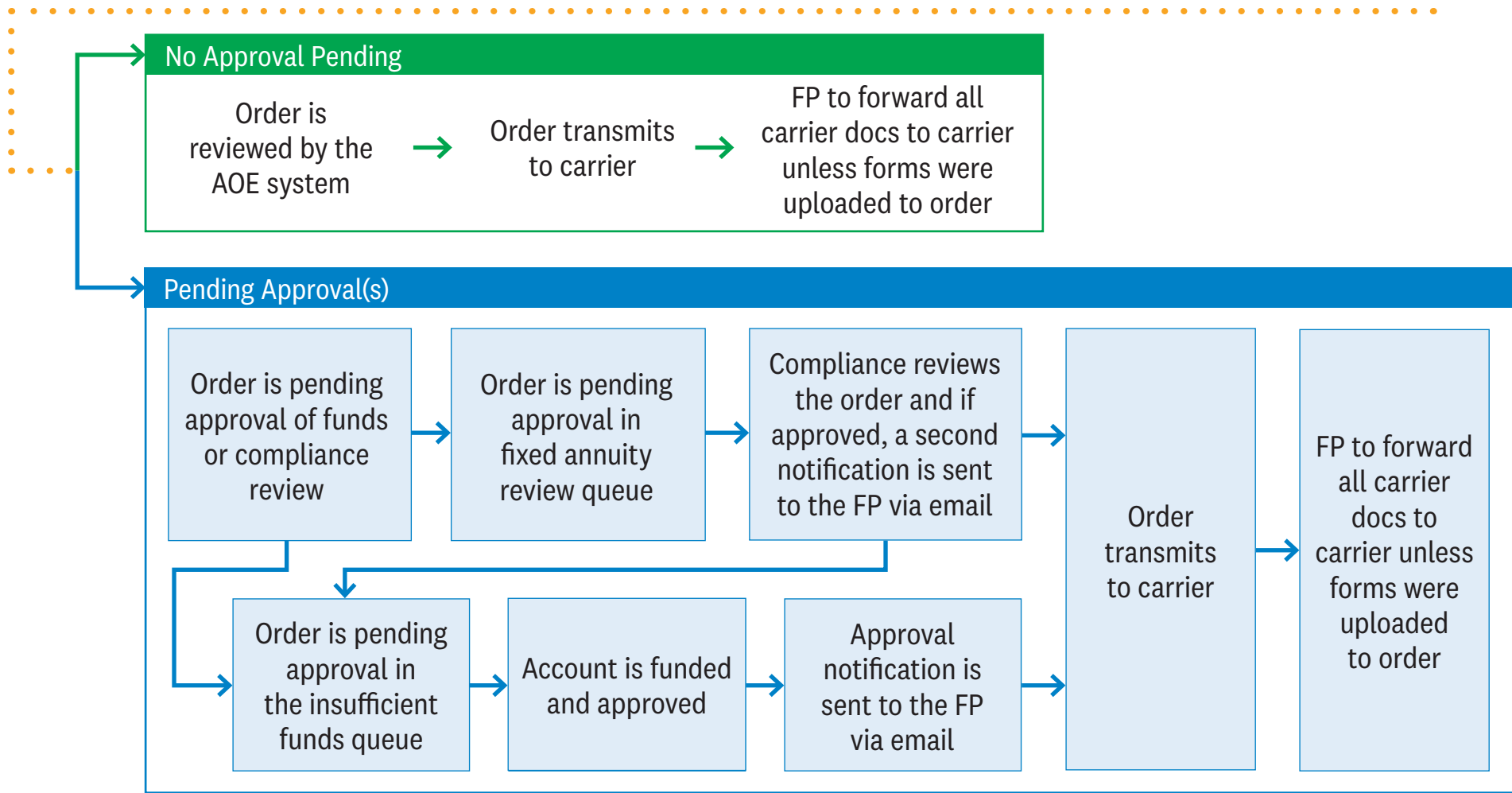
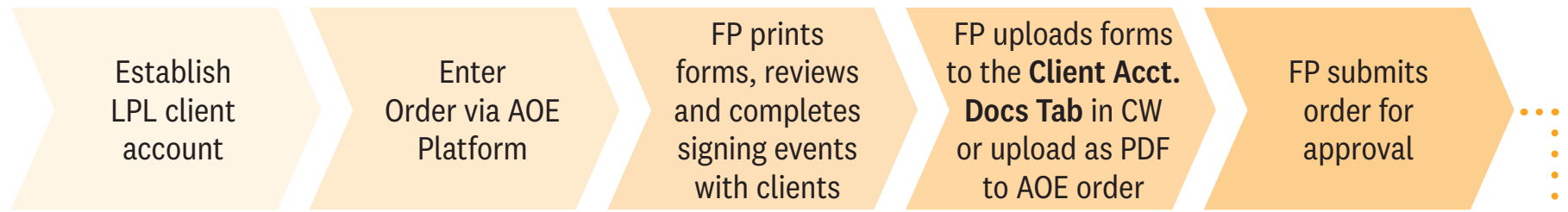
# AOE WORKFLOW - VARIABLE & INDEX (WET SIGNED)

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## AOE pre-approval review process

- An LPL Financial account is required for all annuity purchases
- All orders are automatically routed to Pre-Approval with the exception of Fixed Annuities
- The new account form doesn't need to be in good order before Pre-Approval Review
- Once Pre-Approval Review is approved, you can print the documents
- All documents should be uploaded for storage to Documents on the account in ClientWorks or uploaded as PDF the AOE order in the **Notes and Forms tab**
- Throughout the AOE process, you will receive email notifications to inform you about suitability review and approval status

# AOE WORKFLOW - FIXED ANNUITIES (WET SIGNED)



# AOE WORKFLOW – FIXED ANNUITIES (WET SIGNED)

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## General Requirements

Before processing a fixed annuity for a client the following pre-requisites are required:

- Verify or request Licensing and Appointment requirements for the product and state that the annuity is being purchased.
- Establish or update the client account that will be used for networking
- Verify if the order will be placed on AOE or processed direct
  - All NY transactions must be processed through AOE or reviewed via the Manual Exception process
  - Certain program affiliations require all transactions to be process through AOE. Please check with your program manager to verify the preferred method of processing before proceeding
  - For Insurance Only Representatives the Client Account Funding source is not eligible for transactions as netting of commissions currently cannot be executed. Please use the Direct Processing Procedures outlined below



# FUNDING TAB



Select the funding source	Helpful hints
Client's LPL Financial account	Click <b>Add Client Account</b> and complete the necessary information
Check sent directly to carrier	Click <b>Add Check</b> and complete the necessary information
1035 Exchange or Qualified Policy Transfer	Click <b>Add 1035 Exchange or Qualified Policy Transfer</b> and complete the necessary information
Account Transfer	Click <b>Add Non-Qualified Funds Transfer or Qualified Funds Transfer</b> and complete the necessary information
LPL Brokerage or Advisory account	Verify the method by which you would like funds to move to the carrier: <ul style="list-style-type: none"><li>▪ When using the <b>Client Account</b> option, a signed journal form may be required</li><li>▪ When using the <b>Funds Transfer</b> option, a transfer form will generate and funds will be requested by the carrier</li></ul>

Note: Multiple funding sources can be selected within one order.

# FUNDING TAB

## Helpful hints for suitability review based on funding source selected

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### Equities/bonds/cash

- Clarify which securities are being liquidated to fund premium
- Deposit Accounts (checking, savings, money market, etc.) must explain how the cash was created (examples: savings from earned income, life insurance death benefit proceeds, or matured CDs)
- If cash was previously invested in a prospectus product, this must be disclosed using the secondary source of funds depending on what type of investment (mutual fund, annuity, etc.) was liquidated
- Sale of Property: Detail the type (primary residence, vacation home, investment property, etc.) of property sold; if the proceeds are from primary residence, explain client's future plans to use the funds to purchase another residence

### Mutual funds

- List each ticker symbol that is going to be sold
- State if any surrender charges apply

### Qualified funds transfer

- State the type of investment vehicle (IRA, 401(k), 403(b), etc.) from which the funds will be transferred
- If funds are coming from an IRA, disclose what will be liquidated (see above)
- 403(b) transfers should be disclosed as an annuity replacement if it's an individual annuity contract (select the option for Qualified Policy Transfer to correctly disclose)

# POLICY EXCHANGES/TRANSFERS

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## **Best practices for entering policy exchanges/transfers on AOE**

- For non-qualified accounts, select **1035 Exchange** and ensure the registrations are “like to like”
- For qualified accounts, select **Qualified Policy Transfer/Rollover**
- Utilize the AOE forms packets to gather all required surrendering policy details before starting the AOE purchase
- The surrender charge schedule is required only when the contract is still subject to a surrender charge
- If LPL isn’t the B/D, please include a copy of the most recent statement with your order; you can upload a PDF on the Notes Tab or the Client Account Tab
- Surrendering policy information can be found on the Annuity Intelligence Tool (Morningstar) or by contacting the carrier directly

# POLICY EXCHANGES/TRANSFERS

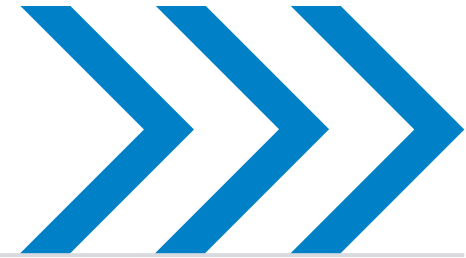
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## **Guidelines for transactions involving annuity/insurance transfers or exchanges**

- All details of the existing contract should be accurate; confirming with the surrendering carrier is recommended to lower the chance of a rework
- Detail what has changed in the client's financial situation, life, and/or goals since the existing contract was purchased
- Disclose any loss in living or death benefit, and explain why this makes sense for the client
- Note that any surrender charge greater than 2% on the surrender schedule is a policy violation, and requires additional suitability questions to be answered
- If the existing contract doesn't have a rider, but has the ability to add one similar to the proposed contract, explain why incurring a new CDSC schedule and/or higher fees is more beneficial to the client than adding the available rider on the existing contract

When evaluating 1035 exchange suitability, you should perform due diligence on the existing contract. The existing annuity policy may provide death benefits, pricing, or other guarantees, in the original contract that are unavailable in the new contract, which may make the overall result less valuable.

# SUITABILITY TAB



## Helpful hints for key areas

- Date of prospectus provided or mailed to client must be within 30 days
- Liquid Net Worth Question – The amount entered on line I equals the total value of lines A through H:
  - This includes any values from the Annuities/Insurance lines if added
  - Please enter values in whole dollars only
  - Note: “Total funds client has available for emergencies” is a separate question; this number shouldn’t be subtracted from the assets listed in the liquid net worth question
- All free-form boxes have a character limit; if the box has a red exclamation point (!) to the right and you’re unable to move forward, you have exceeded the limit for this box; if the character limit is exceeded, please add additional comments in the Notes Tab
- If you receive the following warning message, please verify the amount listed under liquid net worth is correct and then update the client profile in ClientWorks to ensure it matches

**“Warning (LPL-V-6000) The liquid net worth amount you entered doesn’t match the current range indicated in the client’s account. Please also modify the liquid net worth amount or update the current range in ClientWorks under Change Accounts so that the amounts match.”**

*(continued on back)*

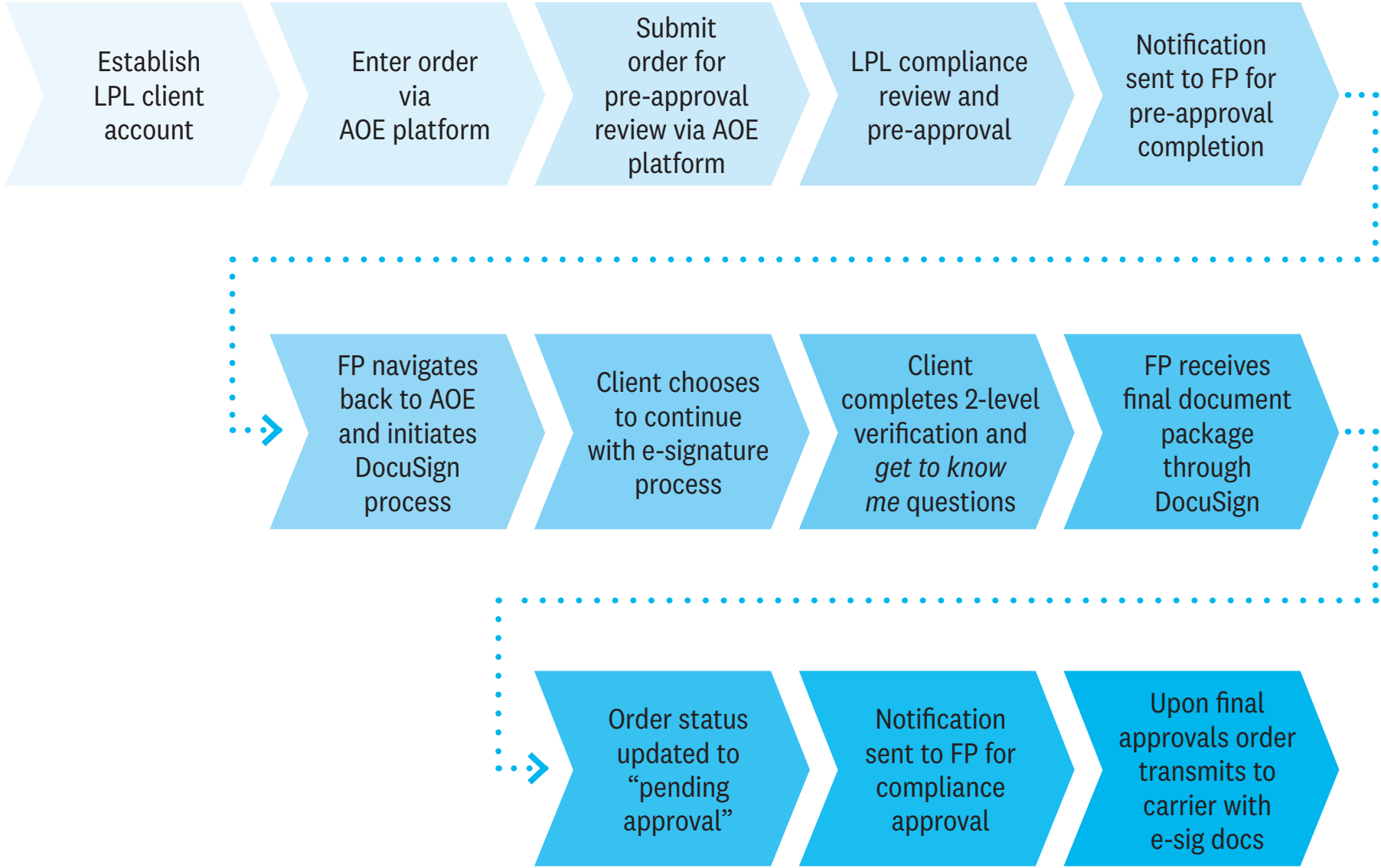
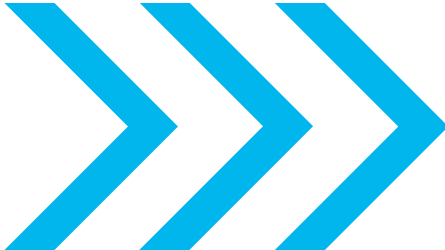
# SUITABILITY TAB

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## **Helpful hints for key areas** *(continued)*

- All items should match the corresponding information detailed on the client's account (risk tolerance, annual income range, liquid net worth range, etc.)
- Liquid Net Worth (LNW) should include all assets easily liquidated within 30 days, even if subject to surrender penalty, excluding real estate
- All liquid assets listed, including annuities, should total the stated LNW
- All of the client's existing annuity contracts are required to be disclosed, including the proposed policy being replaced; if LNW is for joint or for the entire household, then the total annuity holdings should also reflect those for the joint person or entire household
- Rationale should include, but isn't limited to why an annuity was chosen, what other investments were considered, and why the features/benefits of the proposed annuity are important to the client's specific goals
- Rationale should always be centered on the individual client's situation and goals

# E-SIGNATURE WORKFLOW



# E-SIGNATURE WORKFLOW

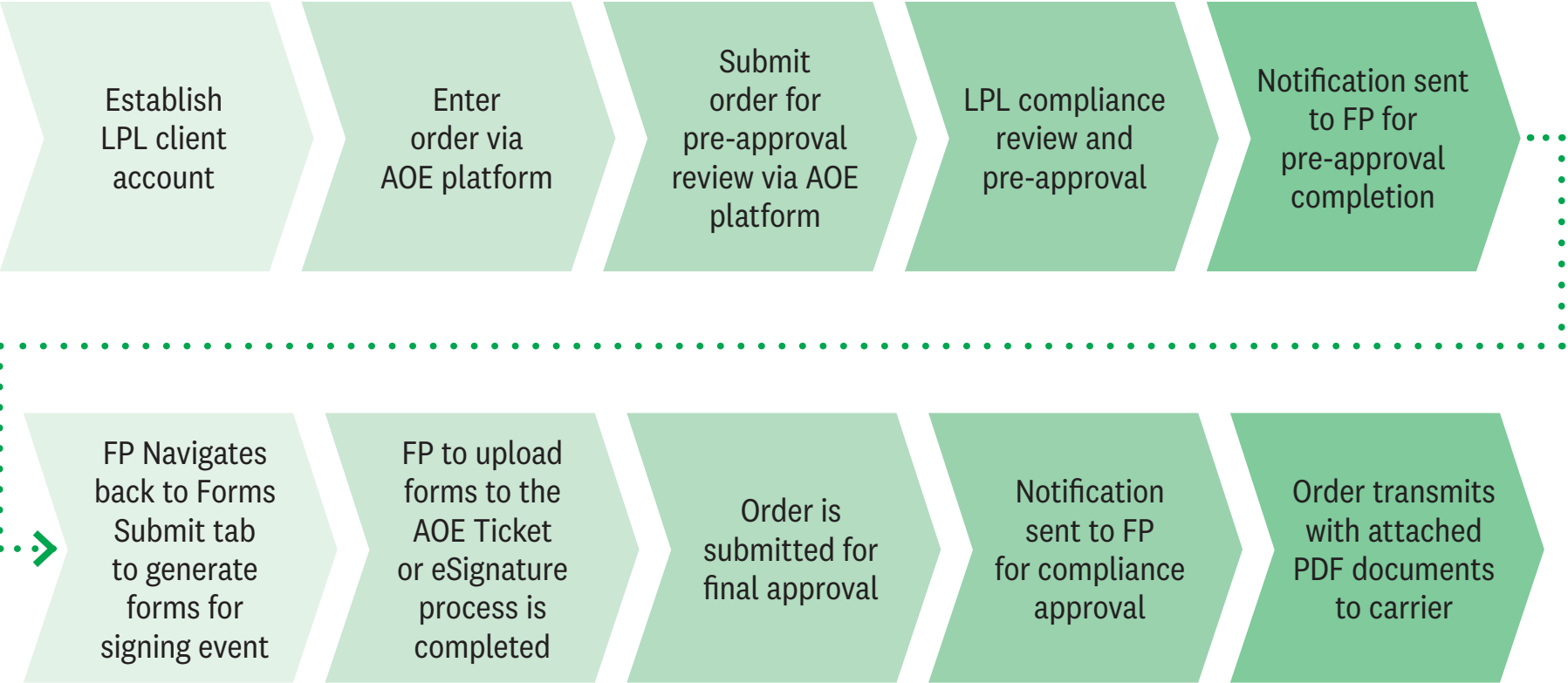
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## Eligible transactions & details

- Individual or Joint Ownership Types
- Funding sources include Add Client Account or Add Check
- Transfers and exchanges
  - Funding from a replacement:  
The surrendering company must also accept eSignature and will be validated within AOE to proceed
- A list of eligible carriers is available along with any state restrictions
- Only the Primary Rep on Split Rep IDs will be signing the documents
- In Person and Remote signing will be available
- Initial Purchase Transactions



# PDF ATTACHMENTS WORKFLOW





# PDF ATTACHMENTS WORKFLOW

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## The document attachment must be in PDF format

- Each PDF document cannot exceed 6 MB
  - If your PDF document exceeds 6 MB, you will need to reduce the file size and add multiple documents to the order
  - Maximum number of PDF documents on the **Forms/Submit** tab is 6, with a maximum total file size of 36 MB
- The appropriate forms are generated based on the annuity product. For variable and indexed annuities, you cannot print your documents until pre-approval review has been completed
- Documents uploaded to the **Notes** tab are for internal LPL documents only
- Documents uploaded to the **Forms Submit** tab will transmit to the carrier along with the AOE ticket
- All documents will save to the **Documents** tab within ClientWorks once the status of the order appears as “Transmitted”
- PDF document attachments can be added during these statuses
  - Forms Rendered
  - Info Requested
  - Rework Pending

# RATIONALE BEST PRACTICES

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## Rationale for each purchase should at minimum address the following

1

Why this transaction is in the client's best interest?

3

What other investment products or reasonable product alternatives were considered?

2

Why does the purchase of this specific annuity meet the client's investment needs and goals?

4

Discuss the client's understanding of the fees, expenses, and restrictions of the particular annuity being purchased.

## Product risks and considerations

Annuities are long-term investment vehicles designed for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal.

Variable annuities are long term, tax-deferred investment vehicles designed for retirement purposes and contain both an investment and insurance component. They have fees and charges, including mortality and expense risk charges, administrative fees, and contract fees. The investment returns and principal value of the available sub-account portfolios will fluctuate so that the value of an investor's unit, when redeemed, may be worth more or less than their original value.

Guarantees are based on the claims paying ability of the issuing company.

Withdrawals made prior to age 59½ are subject to a 10% IRS penalty tax and surrender charges may apply.