



# Consumer Corner

by Illinois Attorney General LISA MADIGAN



## Seniors Should Think Twice before Buying an Annuity

Annuities are sometimes aggressively marketed to seniors, even though these investment products may be ill-suited to the needs of older individuals. This month's column provides tips on how to avoid getting trapped in a costly investment that's not right for you.

**Q.** I'm a senior citizen. A few weeks ago I received a postcard in the mail informing me that I may have an annuity that has reached the end of its surrender period. This was news to me. When I called the phone number on the card, the person on the other end of the line asked me some basic questions about my finances. She then scheduled an appointment for an investment advisor to visit my home. After I hung up, I thought this sounded like a scam so I called back and cancelled the appointment. Was this a scam?

**A.** You were right to think twice about scheduling an appointment in your home with an investment advisor you do not know. You should always avoid unsolicited offers, including offers regarding investment advice. And remember: never give out your personal financial information in response to an unsolicited offer. Unsolicited offers like the one you received are an attempt to sell you something. Seniors are being bombarded with postcards like the one you described and invitations to lunchtime seminars on financial matters. These mailings and seminars are ways of trying to connect you to people who want to sell you something. Annuities are frequently marketed to seniors using these methods.

If you're considering buying an annuity, it pays to do your homework and comparison shop. Annuities are complex investment products offering a variety of options and features. Some are fixed, while others have variable rates of return. Some annuities come packed with steep commissions for the sales agent and heavy penalty (or "surrender") fees if the investor withdraws money early.

Unfortunately, sometimes marketers use aggressive or deceptive sales practices to push annuities on seniors for whom the product is unsuitable. Before purchasing an annuity, seniors must consider not only the features of the proposed investment, but also their own health, finances, and financial goals to determine whether the investment is suitable.

To make sure an annuity fits your needs, you should review the product with your own attorney or financial planner before you make a decision. Also, you should call the Illinois Division of Insurance (866-445-5364) to confirm that any insurance agent is properly licensed or the Illinois Securities Department (800-628-7937) to confirm that any securities broker is properly registered.

As a senior, you are wise to question whether an annuity is the right investment choice for you. *Most* annuities are long-term investments, and while they can be part of a sound retirement plan, they tend to be better suited for younger investors than older ones.

If you feel you have been defrauded or deceived when buying an annuity, you should contact my office's **Consumer Fraud Hotline (800-386-5438; TTY: 800-964-3013)** or **Senior Fraud Helpline (800-243-5377; TTY: 800-964-3013)** and file a complaint.