



Variable Annuity Commentary and Report

Client Name:	Ms. Jane Smith
Annuity Carrier Name: Annuity Product Name:	American Annuity Co Patriot Variable Annuity
Advisor-Agent Name:	Mr. John Professional Good Sense Financial
Annuity Information Reviewed and provided with this commentary:	Quarterly Statement July to September 2019 Annuity product research report Subaccount portfolio analysis
Notable Relevant Annuity Features:	7-year surrender charge (almost 0% now) Includes Retirement Income Lifetime Benefit Income Rider (Single Life)
Costs, Restrictions, Concerns:	M&E + Admin Fee: 1.30% Retirement Income Rider: 1.55% Investments Management: 1.05% Total Charges: 3.90%
Comment on present fit with present client goals and needs:	Presumably this annuity was purchased to generate lifetime retirement income. This income rider is a substantial annual cost so the rider should be turned on or the annuity should be replaced. This is a traditional lifetime income rider with a 5% compound roll-up and a frequent potential step-up. This 5% roll-up lasts 10 years unless extended.
Comments on Annuity Benefits:	Retirement Income benefit base is about equal to the account value, meaning the 5% roll-up did not matter. The income amount that might be generated with another annuity product should be evaluated and considered. The payout percentage is 5% for all years for ages 65 through 79.

Remaining Questions:	<p>Annuity funds are invested in one asset allocation fund, the Manager Tactical Allocation subaccount.</p> <p>The expense ratio is 1.05%. This is a 4-Star rated fund (Morningstar) compared to similar VA and mutual fund subaccounts.</p> <p>This investment is 75% bonds and cash. This is <u>expensive</u> safety inside a variable annuity. It is an expensive “belt-and-suspenders” way to protect principal. Ultimately, it is almost certain to deliver a mediocre level of retirement income.</p> <p>Note that even short-term bond funds have some market risk. If bond rates increase substantially, there will be some small amount of loss of bond value and total return in the short run.</p>
Conclusion:	Evaluate the costs of this annuity for the benefits it is expected to provide. Why add almost 4% costs to what is 75% bonds and cash? This is not the most effective way to buy guaranteed lifetime income.
Prepared by:	AnnuitySCOPE M&O Marketing, Inc.
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