



## Beware the “Missed Fortune” Sales Concept

Why you should beware Doug Andrew’s *Missed Fortune*

I went downstairs this morning, poured a nice cup of coffee, opened my Sunday edition San Diego Union newspaper and there it was. A full quarter page advertisement promoting Doug Andrew’s seminar titled *Now’s the Time to Convert Your IRAs and 401(k)s to Better Plans (While Tax Rates are Lower and Your Account Values are Lower)*. The advertisement included a biography of Mr. Andrew and he was nice enough to include a photo too.

As a member of The Center for Life Insurance Disputes I see a lot of life insurance scams and abuses. I believe that if I can help one person not get swindled out of their money then I’ve accomplished something worthwhile. If you are being solicited by one of Missed Fortune’s promoters, think long and hard about the adage “if it sounds too good to be true it probably isn’t true”. That is the perfect way to sum-up Doug Andrew’s Missed Fortune 101. It’s nonsense that will work for only a very small number of people.

I’ve been active in the life insurance industry since 1991. I’ve sold insurance, I’ve brokered insurance through financial planners and advisors, I’ve been a Regional Director for a major life insurance company, I’ve acted as an expert witness numerous times and I’ve helped my clients settle life insurance disputes. You could say I have some life insurance knowledge. So for anyone taking the time to read this post let me share some insights about the *Missed Fortune* concept and Mr. Doug Andrew’s advertisement.

I will simply quote directly from his September 13, 2009 San Diego Union advertisement.

Let’s start with that catchy headline “*Now’s the time to convert your IRAs and 401ks to Better Plans (While tax rates are lower and account values are lower)*”. When he says “convert” he means sell what is in your pre-tax retirement account, pay the taxes on the sale and then buy life insurance. There is no mention in his ad about the 10% federal tax penalty for withdrawing money from a retirement account prior to age 59 ½. If you happen to be 59 ½ already you won’t have that special tax, you’ll just have income tax on that withdrawal. Ask your accountant what the tax implication would be of liquidating your retirement account? This is Doug Andrew’s, one-size-fits-all, “better plan”. Sell your investments, pay taxes and buy life insurance. Is he kidding with this? If I hadn’t seen so many commission-motivated scams I wouldn’t even believe someone would have the nerve to publish such ideas.

Next he says to “convert (meaning sell) while tax rates are lower”. Lower than what? I wasn’t aware of Mr. Andrew’s position of setting federal income tax rates. I guess that was in his book that I didn’t buy. It is possible that in the future tax rates may be higher, but then again they may be the same or lower.

His next statement is really perplexing. “Convert (meaning sell) while account values are lower”. Hmm, let’s see if I’ve got this right? I should sell low... sell low... sell low? I’m pretty sure every other financial advisor has told me that in order to make money I should do something

different. What was it...? Oh yes, it was sell high! Is he kidding with this statement? No, unfortunately he's not. What he is doing is playing on investor fears.

He knows most average Americans have losses in their retirement accounts right now and we don't like it. So he hits us while we're down, but like all great spinsters he lifts us back up into his comforting arms by offering us his "better plans". Thank you Mr. Doug Andrew.

Mr. Andrew takes the next 6 paragraphs to tell me how hard it will be to recover from my investment losses and then his big wallop "the government has a permanent tax lien on your IRAs and 401(k)s". Those dirty government people. Apparently they'll let me save money pre-tax in my IRA. And they'll let that money accumulate without being taxed. But during my retirement I'll have to pay taxes on the money that I decide to withdraw, when I want, and in the amount I want. How can they get away with such crimes? (Yes, I am being sarcastic).

To make sure I didn't miss his point so far he tells me "One thing is certain: Future taxes will be going up". How does he know this? What if I need less money during my retirement than I need today? Then might my taxes be less than what they are while I'm working 60 hours a week? I thought Mr. Andrews was just another insurance scam artist, but apparently he's a fortuneteller as well. Good back-up career.

I really like his next statement because it leaps to so many bad conclusions in so few words. He states, "I don't own an IRA or 401(k) – never have, never will! There are better ways to save and have tax-free income during retirement". Now I'm no rocket scientist but didn't he just tell me how bad taxes are and now he's telling me to pay more tax today (invest after-tax) so I can put fewer investment dollars into life insurance? Hmm? Pay more tax today and invest less money, or pay no tax today and invest more money. What to do, what to do? But alas, he does give me a hint of something that peaks my interest; "tax free income in retirement". That sure sounds good.

But first Mr. Andrews goes on to tell me lots of cool stuff about his "better plans". He states "there is only one savings accumulation vehicle that provides liquidity and safety while earning an attractive rate of return". Don't you just love this stuff? There is "only ONE". Not two, "only one". Of all the investments in the world only this one offers all of this great stuff...according to Doug Andrew. Let's break this down.

"Liquidity". I understand this to mean I can have my money from this investment when I want it. Isn't that true of stocks, bonds, mutual funds, savings accounts and money market accounts? But is it true of life insurance? Not always. Insurance policies have back-ended surrender charges which limit a person's liquidity. If you put \$100 into a life insurance policy today and need your \$100 back in 6 months, guess what? You're not getting \$100 back. Ever!

"Safety". I have to admit I have no idea what Mr. Andrew means by "safety". If he means that I cannot lose my money, I'm pretty sure that if I stop paying the premium and the policy fees keep getting deducted from my cash value, at some point I'm going to lose my money.

His next big selling point is “your money is tax-advantaged while it accumulates”. This is true, life insurance cash values are not taxed as interest is earned. But wait a minute Doug Andrew. Isn’t every IRA and 401(k) tax-advantaged while they accumulate?

Now here’s the really big one, “it can remain tax free when you withdraw it”. What selling skills Mr. Andrew has here. It is true you can take money out of a life insurance policy without paying taxes on the money. It’s called a loan. That’s l-o-a-n. In order to be a loan you must be charged an interest rate. So while you do not pay tax on the money, you will owe interest on it. Yes, you will owe interest on money that you borrowed from yourself. (It gets complicated so email me if you want a detailed explanation.)

What would happen if we borrowed a lot of money out of Mr. Andrew’s “better plans” (life insurance policy) and because of the continuing annual fees and accumulating loan and interest, the policy lapsed? Since Mr. Andrew isn’t here I’ll answer my own question. All of the money we took out of the “better plans” would become immediately income-taxable. I’m pretty sure that would be bad for most people. That point, of course, isn’t mentioned in Mr. Andrew’s advertisement. Instead he goes on to tell me that “many smart people are now converting their IRAs and 401(k)s by doing... a strategic rollout”. I guess I’m not a “smart people” because I wouldn’t touch this concept with a 10-foot pole... or my IRA.

I hope my one simple point has been made. Beware of anyone peddling the *Missed Fortune* concept. Life insurance is not a retirement plan. At The Center for Life Insurance Disputes we are getting calls from unsuspecting investors being sold the *Missed Fortune* concept from insurance agents and financial planners across the country. Stay away from these scam artists.

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