

Commonwealth Schools of Insurance

P.O. Box 22414, Louisville, KY 40252-0414 • 502.425.5987 • FAX 502.429.0755

E-mail: info@commonwealthschools.com

INSTRUCTIONS TO COMPLETE THE CONTINUING EDUCATION COURSE

Thank you for choosing the Commonwealth Schools of Insurance to fulfill your continuing education requirements.

Please follow the instructions below to complete the course:

STEP 1

Please print out the ANSWER SHEET, CERTIFICATE and QUESTIONS that follow this page. After printing the ANSWER SHEET, please fill out the requested information clearly and completely.

STEP 2

TEST QUESTIONS must be answered on the page that follows. You must score 70% or better to received credit for this course.

STEP 3

After completing the TEST and STUDENT INFORMATION marked with an "X" on the Certificate of Completion, the completed Answer Sheet and Certificate may be emailed, faxed or mailed to:

Emailed to:	info@commonwealthschools.com
Faxed to:	502.429.0755
Mailed to:	Commonwealth Schools of Insurance, Inc. P O Box 22414 Louisville, KY 40252-0414

Please note that your ANSWER SHEET and CERTIFICATE will not be processed without payment. Payment arrangements are listed on the ANSWER SHEET.

YELLOW CARD SPECIAL

Simply complete and return all 24 hours of CE at the same time.

Regardless of the prices listed, your total charge will be

\$110.00

NOTICE

The material contained herein may not be duplicated without the express written permission of Commonwealth Schools of Insurance.

The material contained in this course cannot be used as an original source of authority on legal matters. Any references made to laws and regulations in this material have been edited and summarized for clarity; and changes in these laws and regulations may have occurred since this course was published. The reader should always consult legal counsel as appropriate.

Commonwealth of Kentucky
Department of Insurance - Agent Licensing Division
P. O. Box 517 - Frankfort, Ky. 40602
502-564-6004 <http://insurance.ky.gov>

APPROVED CONTINUING EDUCATION COURSE

CERTIFICATE OF COMPLETION

STUDENT NAME: **X** _____

CONTINUING EDUCATION COURSE IDENTIFICATION

Course Title: **Annuity Suitability**

Course Certification Number: **C97489**

Course Completion Date: _____ Number of Hours: **4**

Instructor Name: **PLEASE LEAVE BLANK**
(Required if certification is for a classroom course)

Provider Name: **Commonwealth Schools of Insurance, Inc.**

Provider Certification Number: **S12128/PROV0085**

PROVIDER CERTIFICATION:

I hereby certify that this course was conducted as approved by the Commonwealth of Kentucky Department of Insurance. I further certify that the person whose name appears above did personally complete this course on the date indicated. Also, I acknowledge that fraudulent certification of this document will result in immediate withdrawal of approval of the provider, plus penalties, and simultaneous withdrawal of approval of all of the provider's courses (KRS 304.9-295 and 806 KAR 9:220).

Name: **James F Davis**
Authorized Provider Representative

Signature: _____ Date: _____

STUDENT CERTIFICATION:

I hereby certify that I personally completed the course listed above in the manner required to satisfy Kentucky's continuing education laws and regulations. Also, I acknowledge that fraudulent certification of completion of this course will result in cancellation of my agent, adjuster, and/or life settlement broker licenses (KRS 304.9-295 and 806 KAR 9:220).

Name: **X** _____ DOI# or NPN: **X** _____

Signature: **X** _____ Date: **X** _____

*The provider is required by law to give the student who successfully completes any continuing education course the original of this form upon completion of the course and to retain a copy in the provider's records for at least five years.
For a classroom course, the provider is required by law to submit the Continuing Education Course Attendance Roster (Form CE-300) to the Department of Insurance within thirty days through eServices electronic submission. Students must verify that credit has been recorded for this class by visiting our website at: <http://insurance.ky.gov>. If credit does not appear, please verify with the provider that the Roster has been submitted. If the Roster has been submitted and you do not receive credit, please forward this original document to the Department directly, and keep a copy for your file.
For all correspondence credits, the provider must submit the Course Completion to the Department through eServices, or the student must mail this original form to DOI and verify credit on our website, as required by KRS 304.9-295(10)(11).*

Annuity Suitability

(4 credit hours – This course is approved by KYDOI to meet your Annuity requirement.)

PLEASE PRINT CLEARLY

First Name	M.I.	Last Name	DOI# and NPN#
Home Mailing Address		City	State Zip Code
Business Name			
Business Address		City	State Zip Code
Home Telephone		Business Telephone	Email Address
Date of Birth	Month	Year	FAX

Please send COMPLETED ANSWER SHEET, CERTIFICATE and PAYMENT VIA:

Emailed to: info@commonwealthschools.com
 Faxed to: 502.429.0755
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 Louisville, KY 40252-0414

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YELLOW CARD SPECIAL

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CHECKS AND ALL MAJOR CREDIT CARDS ARE ACCEPTED:

COURSE FEE \$10.00 or Check Here for Yellow Card Special

CARD NO. _____ **EXP DATE** _____ **CV2 NO.** _____

CREDIT CARD BILLING ADDRESS _____

SIGNATURE: _____

Annuity Suitability Final Exam

- Annuities can actually trace their origins back to _____ times.
A. English B. Italian C. Spanish D. Roman
- Annuities really started to catch on in the late
A. 1920s. B. 1940s. C. 1930s. D. 1950s.
- In _____, the first variable annuity was created.
A. 1960 B. 1952 C. 1945 D. 1959
- Deferred annuities are invested over an “accumulation period” of often at least
A. 5 years. B. 15 years. C. 10 years. D. 20 years.
- Annuities can be single premium or
A. flexible premium. C. multiplying premium.
B. diminishing premium. D. automatic premium.
- A second type of group annuity contract, the deposit administration contract, grew in popularity during the
A. 1950s. B. 1960s. C. 1970s. D. 1980s.
- A _____ provides for payments that fluctuate in size contingent upon the success of the investment of the principal, thus offsetting the effect of inflation upon the annuitant.
A. fixed annuity B. variable annuity C. joint annuity D. straight annuity
- A new payment may have a _____ fee if he or she takes out the new payment right away, while a 10-year-old payment may have no surrender fee.
A. 9% B. 7% C. 10% D. 5%
- _____ locks in a fixed rate investment approach even though guarantee periods may vary, with delayed pay-out.
A. The Payment Deferred Annuity C. The Variable Deferred Annuity
B. The Fixed Deferred Annuity D. The Tax Deferred Annuity
- Depending on the circumstances, the IRS may impose a 10% penalty tax for withdrawing untaxed money from an annuity before the individual reaches age
A. 70. B. 50. C. 65. D. 59½.

11. Floor on Equity Index-Linked Interest is the minimum index-linked interest rate an individual will earn. The most common floor is
- A. .5% B. 2%. C. 0%. D. 5%.
12. In today's volatile investment climate, annuities might represent a _____ and that is exactly what retirees and near-retirees may be seeking.
- A. interest-free investment C. gift investment
B. payment investment D. safe haven investment
13. Deferred charitable gift annuities are those in which the annuitant defers the receipt of income to a specified date at least _____ in the future, but realizes an immediate federal income tax charitable deduction.
- A. 6 months B. 1 year C. 2 years D. 5 years
14. A _____ annuity is one purchased separately from, or "outside of," a tax-favored retirement plan.
- A. nonqualified B. qualified C. gift D. tuition
15. _____ annuity provides income for the remaining life of a person
- A. A gift B. A lifetime C. A single payment D. An immediate
16. There are _____ parties to an annuity
- A. 3 B. 5 C. 4 D. 2
17. The _____ is the person designated by the owner to receive annuity payments and may be either the annuitant or some other person or entity including a trustee or a bank account.
- A. payee B. beneficiary C. contract owner D. annuitant
18. The _____ is like a vice president of a country because he or she is of little value until the death of a certain individual.
- A. the insurer B. contract owner C. annuitant D. beneficiary
19. _____ available under some annuity contracts, lets an individual arrange to receive designated amounts and change those amounts from time to time.
- A. Unspecified withdrawal C. Systematic withdrawal
B. Monthly withdrawal D. Beneficiary withdrawal
20. A Transfer Payout Annuity (TPA) is an annuity option that provides for transfers and withdrawals of accumulated funds in _____ annual installments
- A. 15 B. 12 C. 10 D. 5

21. The _____ phase is the time period when money is added to the annuity.
- A. distribution B. accumulation C. annuitization D. maturation
22. Annuities can be purchased by single payments or flexible payments or as an
- A. immediate annuity. B. deferred annuity. C. tuition annuity. D. fixed annuity.
23. Due to the 10% IRS penalty for money taken out before one reaches age 59 ½, most insurance companies allow the individual to withdraw up to _____ of assets before they impose a surrender charge.
- A. 5% B. 10% C. 15% D. 30%
24. Most annuities allow one to withdraw either interest earnings or up to _____ per year without a penalty
- A. 5% B. 15% C. 20% D. 25%
25. An individual can avoid any taxes or penalties, however, by making a _____ to another annuity, regardless of age.
- A. 1045 Tax-Free Exchange C. 1035 Tax-Free Exchange
B. 1025 Tax-Free Exchange D. 1065 Tax-Free Exchange
26. The final disadvantage of annuities is that if a person had to take his money out before age 59½, he would incur a _____ penalty in addition to ordinary income taxes.
- A. 5% B. 15% C. 20% D. 10%
27. Life With Period Certain could have specified time periods such as
- A. 3 or 9 years. B. 10 or 20 years. C. 1 or 5 years. D. 5 or 8 years.
28. An annuity rider is a feature on an annuity that provides an additional benefit such as nursing home costs. A bonus rider would give an extra _____ of an investment upon buying the annuity.
- A. 2% to 7% B. 5% to 8% C. 3% to 5% D. 1% to 5%
29. Annuity surrender charges do not apply to _____ annuities because, once an individual has purchased the contract, it cannot be surrendered.
- A. deferred B. tuition C. immediate D. split
30. The _____ is a fixed charge per premium payment or other transaction.
- A. charge fee B. payment fee C. annuity fee D. transaction fee

31. _____ is the placement of a certain amount of one's investment capital within different types of asset classes
- A. Dollar Allocation
B. Capital Allocation
C. Asset Allocation
D. Investment Allocation
32. _____ replaces emotion with consistency and helps reduce market risk.
- A. Domestic Equity
B. Valuation
C. Underlying Portfolio
D. Dollar Cost Averaging
33. The actively managed portfolio seeks high current income and, secondarily, growth of capital by investing primarily in
- A. high-yielding corporate bonds.
B. low-yielding corporate bonds.
C. high-yielding stock bonds.
D. low-yielding government bonds.
34. An investor should review an annuity portfolio at least
- A. once a month. B. once a year. C. twice a year. D. weekly.
35. Most of these annuities credit around to the cash values remaining in the annuity while the annuitant is receiving the income.
- A. 6% B. 3% C. 9% D. 12%
36. One of the best vehicles to accumulate funds to supplement retirement income from Social Security and qualified retirement plans is a
- A. funded annuity.
B. qualified annuity.
C. retirement annuity.
D. nonqualified annuity.
37. The amount that is taxable will be determined at the time he or she elects to annuitize the policy. A calculation will be made by the insurance company to determine the _____ which will determine the percentage of each payment that will be excluded from income tax.
- A. taxable ratio B. payment ratio C. exclusion ratio D. deductible ratio
38. A tax-deferred annuity offers the same benefits as a non-deductible IRA, but without the \$2,000 contribution limit, the mandatory withdrawal requirement at age _____, and without all of the record keeping and reporting requirements.
- A. 69½ B. 70½ C. 59½ D. 65.
39. At the annuitant's death, the death benefit will be paid to the non-spousal beneficiaries who have been designated so the transfer will avoid
- A. accumulation. B. distribution. C. taxation. D. probate.

40. The Required Minimum Distribution amounts generally must be withdrawn each year beginning after an individual reaches age _____ and severe penalties are imposed if he or she fails to withdraw the full Required Minimum Distribution amount from a pre-tax plans and policies.
- A. 64½ B. 59½ C. 70½ D. 60½
41. Partial surrenders during the first ____ years of a policy may result in taxation under the forced-out gain rule.
- A. 5 B. 15 C. 10 D. 15
42. _____ is a gift made during the donor's lifetime
- A. An annuity gift C. An inter-vivos gift
B. A testamentary gift D. An accrual gift.
43. _____ annuities are not subject to the accrual taxation rules where interest is taxed as earned
- A. Non-Prescribed B. Immediate. C. Prescribed D. Pre-Prescribed
44. An agent will make their largest sales to people over ____ as they are most attracted by the principal guarantee of most annuities and the tax aspect.
- A. 70 B. 40 C. 50 D. 60
45. The Life Insurance Marketing and Research Association (LIMRA), independent life agents responded that _____ of the business in retirement was in fixed annuity market
- A. 36% B. 26% C. 46% D. 16%
46. An annuity sale qualifies as a "suitable sale" if the client's timeframe for using the money in the certificate of deposit is
- A. 5 or more years in the future. C. 10 or more years in the future.
B. 20 or more years in the future. D. 30 or more years in the future.
47. A fixed indexed annuity with _____ rider is an ideal vehicle to plug a specific income gap in a prospective client's retirement income stream.
- A. an income B. a premium C. a qualified D. an actuary
48. When registered broker-dealers are members of FINRA they are bound by NASD Conduct Rule
- A. 2410. B. 2110. C. 2210. D. 2310.

49. New suitability requirements state that the producer must have “reasonable grounds” to believe that the annuity recommendation is suitable based on ____ areas of “suitability information” disclosed by the consumer:
- A. 12 B. 14 C. 9 D. 10
50. When an individual is retired or getting ready to retire and has existing assets in excess of \$100,000 set aside that is not being used or needed for income, an Annuity with Long-Term Care benefits is a possible option that has grown in popularity since the enactment of the Pension Protection Act on
- A. January 1, 2011. B. January 1, 2008. C. January 1, 2009. D. January 1, 2010.