ANNUITIES

AEFA sells American Express and IDS Life annuities to its clients as part of its clients' "*financial plan*" to (ostensibly) achieve their financial goals. In selling such annuities to its clients, AEFA misrepresents and omits many material facts, including but not limited to the following:

MISREPRESENTATION/OMISSION	TRUTH
a. AEFA omits that IDS is affiliated with AEFA, mentioning it only in passing in prolix, largely incomprehensible written materials that it leaves with clients.	IDS and AEFA are sister corporations, both wholly owned subsidiaries within the American Express family.
b. AEFA omits the extent of its fees associated with the variable annuities.	Fees consume approximately 2% of a client's annuity holdings each year.
c. AEFA omits the consequences of not holding the annuities for a long time.	Objectivity requires the disclosure that it will often take at least 15 years before the performance of an AEFA recommended annuity can equal the after-tax returns of investments in a taxable account, *e.g.*, bonds.
d. AEFA omits the costs of the insurance component of its annuities.	The IDS/AEFA guarantee, *i.e.*, the "death benefit" that will go to beneficiaries, costs more than AEFA represents. Objectivity would also require the disclosure of the cost-effectiveness of term life insurance.
e. AEFA omits that if clients do not withdraw the money before they die, their beneficiaries will either receive nothing or be taxed on its entire value – at ordinary income rates.	Objectivity would require the disclosure that mutual funds and individual stocks can always be passed to heirs after death and incur a lower tax bill than annuities.
f. AEFA omits the surrender charges associated with *not* holding the annuity for a long time.	Surrender charges can be greater than 8% of the annuity's value.
g. AEFA omits that if clients withdraw funds from the annuity before age 59 ½, they will be charged a 10% tax penalty.	Clients must tie up their annuity investments for a long time to avoid a tax penalty.
h. AEFA omits that if clients want to receive a yearly cash flow from their investment, it could be preferable to sell portions of stock holdings or other securities.	The option of receiving annual payments from AEFA-approved annuities comes at a high price.