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We Went to a Steak Dinner Annuity Pitch. The Salesman Wasn't Pleased.

By RON LIEBER 11/30/2018

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LOS ANGELES — The pitch arrived in my aunt's mailbox, just after her 80th birthday and in the wake of a few frightening weeks for retirement investors.

"Tired of the stock market roller coaster ride? Want to protect your principal and lock in interest earnings?" the invitation read.

It offered the opportunity to hear all about it at a "complimentary gourmet meal," featuring "New York steak." Even better, it would be at a restaurant in Granada Hills that her mother, Vi, had loved.

The mailer was addressed to another member of the family who no longer lives there, but my aunt had no problem registering when she called the number on the card. It said a guest was welcome, too. I volunteered, and she registered me as well.

And the host? An insurance salesman, Arif M. Halaby, who I quickly discovered had been the subject of a state cease-and-refrain order earlier in the decade because of certain financial products that an administrative law judge determined that he had sold. The state found that Mr. Halaby was offering "unqualified" securities after an ailing older client pulled equity from his home to invest in a real estate development in Costa Rica.

I had long wanted to attend one of these steak dinners, and if you are in or near retirement, or sort the mail of people who are, you might be curious about them as well. Such dinners have been a cause for concern.

Almost a decade ago, in "Protecting Older Investors: 2009 Free Lunch Seminar Report," AARP said 63 percent of the people it had surveyed had received an invitation like the one my aunt found in her mailbox. Among that group, 57 percent had received five or more within the previous three years. The organization figured that 5.9 million people ages 55 or over had attended at least one seminar. AARP's protective instincts were warranted. Two years earlier, the Securities and Exchange Commission, the North American Securities Administrators Association and the Financial Industry Regulatory Authority sent examiners to 110 free-meal seminars. They found that 57 percent of the time, the salespeople used materials that "may have been misleading or exaggerated or included seemingly unwarranted claims."

I genuinely hoped not to encounter any such thing Tuesday night. But I did.

The "REAL BENEFITS" of Indexed Annuities with the Annual Reset Design
A history of American Equity's Index-5* (9/30/98 – 9/30/16)

"I like showing my clients that if you have a million

Arif: Well, they're not designed to, but this example really shows their strength. Take a look at the chart above and ask yourself, "Where would I rather have

come from it, your family would receive the remaining balance. Your beneficiary may choose to receive your contract's values in a lump sum or in a series of payments over time.

The death benefit may be a reason some individuals purchase annuities even though they have no immediate plans to receive their contract values. They simply want to know the money is available (may be subject to a surrender charge) should they need it – and that it can be passed on to their beneficiaries if they don't use it.

3W: So you're more in control of your retirement years and what you leave as a legacy to your children.

Arif: Correct, because a fixed index annuity puts you in control of your future income, based on the annuity you choose and how much money you put

This is the chart that was among the printed materials that dinner attendees received.

A life-size picture of Mr. Halaby, a former police officer, greeted us on a banner in the foyer of the private dining room. Once we were inside, I saw a large chart on a stand up front. It turned out we were there to learn about equity indexed annuities, a complicated insurance product that I wrote about with a fair bit of skepticism back in 2008.

In short (and short is hard when trying to break down products like these), equity indexed annuities tend to work something like this: You hand over a sum of money to an insurance company for a period of time, and at the end you are guaranteed to get at least that much money back if you don't take some money out along the way. You generally don’t get a monthly check, and you agree not to take large amounts out during that period unless you are willing to pay a penalty. As for that equity index part, the insurance company will generally add money to the amount you initially plunked down, providing a portion of the gains reflected in whatever stock index the insurance company is using.

Mr. Halaby’s staff distributed material before dinner that included a chart that looked like the one at the front of the room. It showed an equity indexed annuity performing 8.29 percent better, after an 18-year period from 1998 to 2016, than the S&P 500 stock market index.

But the pamphlet’s chart has some fine print — so small that my 47-year-old eyes could barely make it out — that disclosed the following: The index it was using was not accounting for the reinvestment of dividends from all those stocks.

A quick email the next morning to Howard Silverblatt, senior index analyst at S&P Dow Jones Indices, confirmed the following: When you do reinvest dividends, that basket of stocks does 33.72 percent better than the annuity.

I had hoped to ask our host some questions after the steak, which was cooked medium unwell (no one asked how I wanted it prepared). But by then, Mr. Halaby, who has an active license to sell insurance, including annuities, was gone.

I made an appointment to meet him at his office the next morning, and he did not seem happy to see me once I told him who I was. He disparaged my employer and profession and accused me of attending under false pretenses.

A portion of an invitation sent out for the event.

I explained to him that I wanted to experience the dinner as any invited guest would have. My aunt's R.S.V.P. used my real name, and Mr. Halaby seems to invite anyone and everyone to attend one of his events via his website, as long as you hand over your name, address, phone number and email. I tried to ask him a long list of questions, starting with a few about that chart. At first, he said he would talk to me if I gave him five references of other people I had written about. (I sent him several names later that day.) Then, he gave me the name of a person he identified as his lawyer and told me to contact her about the chart. (She eventually declined to answer any of my questions.)

When I turned my line of inquiry to the cease-and-refrain order, he got up from his chair and said, "We're done." Then he showed me the door.

He told me over the phone on Thursday night, after I returned to New York, that he did not deliberately send mail to people over 70 years old and resented what he called the "dog whistle" effect of writing about someone older than that, as if I were trying to imply that he was preying on people well into their older years. I said no one had asked my aunt's age when she R.S.V.P.'d. Another point I made: I know that mailing list rental firms aren't perfect — the 50-something relative whose invitation arrived at my aunt's hadn't lived there for 15 years — but my aunt had also given me an identical invitation that a 76-year-old friend received at his home address.

To learn more about the chart in the pamphlet, I contacted the annuity company that created it, American Equity Investment Life Holding Company.

I asked Steven D. Schwartz, vice president of investor relations for the company, why the chart doesn't show the returns for the S&P 500 with reinvested dividends. He said it was because the point of the chart is to show the lack of volatility of an equity indexed annuity compared with the S&P 500.

Of course, showing the S&P 500 with reinvested dividends would also do that.

In any event, Mr. Schwartz said, Mr. Halaby should not be using that chart, because the company has discontinued the annuity it depicts.

"It is expected that our independent producers will use current materials," Mr. Schwartz wrote in an email, using industry speak for salespeople who don't work directly for the insurance companies.

When I asked Mr. Halaby about that, he told me that someone who had not been working for him for very long put the old chart in the pamphlet. He added that the chart behind him at the dinner, which to my eyes looked identical to the one in the pamphlet, was in fact different. He would not tell me what company had created it.

American Equity's updated chart, which it sent me Thursday, shows the S&P 500 — still with no reinvested dividends — doing a bit better than a hypothetical indexed annuity for a period starting in 2006 and ending in 2017. To Mr. Halaby's credit, he made no outsize promises during the dinner. "The primary thing is not to lose your money," he told the crowd. "My job is not to make you rich." It was reasonable, he said, for those in attendance to expect their money to grow 3 to 6 percent annually in an equity indexed annuity. Some people thought it was a compelling pitch; there was a smattering of applause when his presentation ended.

Such annuities may be suitable for some risk-averse retirees who are tired of owning stocks. But as I wrote a decade ago, you can probably get better returns during retirement (and not be penalized for taking too much out too soon) by investing mostly in ultrasafe bonds and adding some stock index fund exposure too.

There are probably plenty of advisers who sell useful products over a steak dinner. But as my experience here demonstrates, you shouldn't show up for one without doing a couple of things. First, conduct a quick online search about the host, including a check of the central database for stockbrokers' black marks and the similar ones that state insurance departments maintain. Mr. Halaby's run-in with the state is right there on the first page of his Google search results.
Then, read any and all fine print, even if it requires a magnifying glass. Ask lots of questions. AARP published a good list several years ago, though I'd add another one: Why aren't referrals from happy customers alone enough to keep you in business?

If you're still intrigued by a particular product or pitch, don't move any money right away. Get a second or third opinion from an independent financial planner, perhaps one who charges by the hour and has no stake in your decision.

While the steak dinner pitch might not be a con game, it is a bit of a psychological dance. You attend, you eat free food and by the time the cheesecake arrives, you may feel you owe a salesperson a one-on-one meeting.

Then you're on the hook. If these meals didn't catch lots of people, salespeople wouldn't keep paying for them.

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