

Annuity Sales to Seniors – Dateline Investigation Reveals Scam Tricks

The following hidden camera investigation, aired April 13, 2008 on NBC's Dateline program, revealed some of the things insurance agents may say – and not say – when they think they are alone with seniors. This expanded story is worth reading because it displays – in real life situations – some of the unethical methods and appeals that are used to induce many older adults to make inappropriate changes in their finances.

“Tricks of the trade” by Chris Hansen, Correspondent

URL: <http://www.msnbc.msn.com/id/24095230/>

America's seniors have always been a sales target -- now more than ever, because they control more than \$15 trillion. In an effort to get a slice of that pie, some independent insurance agents, representing big insurance companies, are selling a relatively new kind of investment to people like Leo Stulen.

Leo Stulen: Here, you know, they're selling something to somebody who's got one foot in the grave and the other one on a banana peel.

When he was 72 years old, Leo bought something called an "equity indexed annuity." It's a legitimate investment for some people, and sales have soared because insurance companies market them as a safe place to put your money.

What are they? They're called "indexed" because they're tied, in part, to the stock market. If stocks go up, you gain some. But the best part is if stocks go down, the insurance company guarantees you won't lose.

Leo Stulen: It would never get lower than what it was right then. **Chris Hansen:** You could never lose money? **Leo Stulen:** Never lose.

And they're called "annuities" because they're really insurance contracts. You pay a premium and the insurance company promises to make payments to you in the future.

But there are two important things Leo Stulen says he wasn't told, things that some experts say make this a horrible investment for many seniors. First, the annuity would lock up most of his money for more than a decade, which is longer than he might live. And, what's worse, if he needed to withdraw his cash early, he would pay stiff surrender penalties. And that's exactly what happened when his wife had a medical emergency.

Leo Stulen: They say, “Well, if you draw it out early it's a substantial penalty.” And I say, “Oh.” We got took.

At the time, Leo Stulen had about \$40,000 in the annuity -- his entire life savings. And because of the surrender penalty, he lost 15 percent of it, or \$6,000. He got back less money than he put in. He says the loss forced him to sell his home.

Leo Stulen: There's times where -- what are we going to buy? Pills or food? Because we were short of money.

He's not the only senior who's heard the pitch. Dateline is about to show how some insurance agents can take advantage of you.

Join us in a ground-breaking hidden-camera investigation, as we go behind the scenes to uncover the techniques they use: inside sales meetings -- where we catch the questionable pitches; inside training sessions -- where we discover agents being taught to scare seniors; and, finally, inside seniors' homes to reveal the tricks some agents use to puff their credentials to make a sale. You're about to see what happens when we catch them in the act.

Leo Stulen says he was tricked into signing away his life savings.

Leo Stulen: They're so greedy to get that almighty dollar because they're going to make a big commission that they'll do anything to get it.

For Leo, it all began at a free seminar that offers tips on how to protect your retirement nest egg. Some seminars provide useful information, but authorities say that too often, instead of simply calling themselves "insurance salesmen," the people giving them cloak themselves in fancy titles. Some even claim to have written books or magazine articles.

(Hidden camera) "The cover story is an interview with Randy." **Joe Borg:** The idea is nothing more than trying to convince the public that you're something you're not. **Chris Hansen:** Financial advisor. **Joe Borg:** Senior wealth advisor, I've seen them all.

Joe Borg is one of the experts who testified at a recent senate hearing on questionable sales to seniors. Borg is Director of the Alabama Securities Commission and part of a multi-state task force investigating the possibility of fraud in the sale of retirement investments to seniors.

Dateline is about to take our hidden cameras inside some of those the seminars -- and we'll be asking Joe Borg to help evaluate the sales pitches.

Inside the sales pitch

It's a Thursday night at the local steakhouse in Moulton, Ala.

(Hidden camera) **Jim Rieger:** Hey, how you doing? **Dateline NBC:** Hello, how are you? **Jim Rieger:** James Rieger ...

This insurance salesman has invited retirees and people approaching retirement to an informational seminar. And as bait, Jim Rieger is offering everyone who attends a free steak dinner.

(Hidden camera) **Waitress:** And what side would you like? We have fries, baked potato, onion rings, rice, or veggies?

But before we're served, there's Jim's low-key presentation.

Rieger: So there's a lot of bad advice going around...

He begins by saying he's just trying to help you. He's not selling anything at the meeting tonight.

Rieger: I have no agenda when I see people...

Too often, Joe Borg says, that's just a come-on to set up a face-to-face meeting.

Borg: The only reason they do free lunches, free dinners, free seminars is to sell product. The agenda is: buy my product.

The first step: scare tactics

(Hidden camera) **Rieger:** Did anybody ever do a check on the financial strength at FDIC?

Jim Rieger warns that money in the bank isn't as safe as you think. He questions the stability of the government agency that guarantees bank accounts, the FDIC.

Rieger: Does anybody have a guess what the rating is for FDIC? ... Even though it's backed by the government, it's still F-minus. **Chris Hansen:** Did you realize that our own government, FDIC, was rated F-minus? **Joe Borg:** I had no idea. **Chris Hansen:** Is that a scare tactic? **Joe Borg:** Of course it's a scare tactic.

Dateline checked, and there is no such rating. And the fact is: no one has even lost a dime on FDIC-insured deposits.

The next step: the big promise

Rieger: There's another type called an equity-indexed annuity. It's that ratchet annuity concept.

Jim Rieger says he has a way to make your money go up, up, up. It's called an indexed annuity. Remember, that's the same kind of annuity Leo Stulen bought back in Minnesota. They're sold by insurance companies, and linked to the stock market. And unless you pay stiff surrender penalties, they tie up most of your money for years. That's why Jim Rieger warns: you don't want to put too much money in what he calls "ratchet" annuities.

Jim Rieger: You all know how ratchets work, right? They only go one way, don't they?

Finally: the clincher

You can't lose a dime.

Jim Rieger: As the market grows in this kind of annuity, your account grows, all right? If the market goes down ... Aren't your funds insured? Well, they are. So if the market collapses, your account never goes down ...

That's true, if you keep your money invested for the length of the annuity, which invariably means years. But Joe Borg says people can lose big if you have to take your money out early.

Joe Borg: They would pay the surrender charges, which could be 10, 15, 18 percent. And basically they would come out with less than they put in. **Chris Hansen:** Less than what they put in? **Joe Borg:** Oh, absolutely. **Chris Hansen:** Would you recommend one of these to your mother? **Joe Borg:** I wouldn't. I wouldn't recommend them to anybody.

If you read -- and understand -- the fine print in annuity contracts, you'll find out about surrender penalties. But many of us rely on salesmen, like Jim Rieger, to explain things. The question: will he be honest about those big penalties when he's alone with a senior? To find out, Dateline rented a house in a small town near Birmingham, Alabama ... And began wiring it with hidden cameras. We ask a volunteer in his 70's to listen to the sales pitch, and we invite Jim Rieger to make a house call.

(hidden camera) **James Rieger:** I don't really sell anything at all. I'm not here for an agenda ...

He says he's not here to sell, but it doesn't take long before he starts talking up those equity-indexed annuities that could earn him big commissions.

Rieger: So, this is one of those perfect things where if the market goes up, it soaks up the gains. If the market crashes, your asset still remains here.

There's plenty of talk about what you can gain, but the key question is: will he tell us about those big surrender penalties if you try to get your money out early? Our volunteer is about to ask.

Leon Morris: What if I get in a jam, or let's say I have a lot of medicine expenses. **James Rieger:** You can dip in and take more. **Leon Morris:** Or if I need a cash -- **James Rieger:** You can take more.

There's no mention of big penalties. But before we can ask more questions, something happens that we never imagined.

James Rieger: What is this little box here? **Leon Morris:** Damn, I don't know.

One of our hidden microphones has been knocked loose.

James Rieger: It's kind of weird. It dropped off. Coffee table. That's weird. I've never seen one.

We've been made. Whatever he thinks the microphone is, he decides to leave before we get a chance to ask any tough questions. Later, his lawyer told us Rieger always gives a full explanation of surrender penalties before he completes a sale.

More independent insurance agents are arriving at the sting house we've set up outside Birmingham, Ala. Some of them seem honest and tell our senior volunteer he should stay away from so-called "equity indexed annuities."

Cecil Cheney: In my heart, I wouldn't buy one. So I can't sell them.

That's because experts say putting your life savings in indexed annuities can be a bad deal for seniors, because they lock up most of your money for years. And if you need your cash early, you pay surrender penalties so big that you can wind up with less money than you put in. But almost as often we meet agents eager to sell them -- like this man, Rickey Gibbs. He claims annuities are safer than stocks because you can't lose money.

(hidden camera) **Rickey Gibbs:** They drop the bomb or they blow up some building, it can kill you on the mutual funds. But you can say, "Well, (knocks on wood) I am not going to lose."

Protecting your life savings in a troubled world. That's the main selling point. But will he be honest about those big surrender penalties?

Leon Morris: Is there any penalty on that withdrawal? **Rickey Gibbs:** No. No. Not unless you take out 10 percent.

With this annuity, after the first year, you can withdraw some of your money -- 10 percent annually -- without a penalty. But the salesman doesn't say how big the penalty is if you need the rest of your money. When we invite him back for a second meeting, he mentions the penalty again -- but still doesn't say how much you'd have to pay.

Leon Morris: Well, supposed I needed to get some money out? **Rickey Gibbs:** You'd have some penalties involved. Because see? They're charging nothing to do this.

Instead of telling us the surrender penalty starts at 16 percent in the first year, he changes the subject to health insurance.

Rickey Gibbs: But I've got something, too, that we need to talk about also. That would insure that. And that is a long term care.

We'd seen enough.

Chris Hansen: Oh, hey, Leon. **Leon Morris:** Oh, hey, Chris.

Rickey Gibbs doesn't know yet that I'm a reporter, or that he's being recorded on hidden cameras. I just act like I'm Leon's friend, and want him to make a wise investment.

Chris Hansen: Now, let's say there was something catastrophic and he had to get his hands on some of that money. What kind of penalties would be incurred? **Rickey Gibbs:** What I was telling him is we don't want to put too much in it.

Although he warns against tying up too much money in an annuity, remarkably, Rickey Gibbs avoids telling us how big the penalties are. And changes the subject again.

Chris Hansen: So, what you're saying is don't worry about the penalties on taking money out of the annuity. **Rickey Gibbs:** Right. **Chris Hansen:** Just buy yourself a couple more policies. **Rickey Gibbs:** The factor in enough to take care of-- **Chris Hansen:** Get more insurance-- Basically is what you're saying. **Rickey Gibbs:** Yeah.

I have to ask three times --

Chris Hansen: I know I'm sounding like a broken record

-- before I finally get a straight answer about the big penalties.

Chris Hansen: Well, here's a question. It's Rickey, right? **Rickey Gibbs:** Right. **Chris Hansen:** Why not just be up front and straight with people from the get go and say, "Look, if you got to touch the money, it could cost as much as 16 percent or more?" Why not just tell them? I mean, why not? **Rickey Gibbs:** I-- **Chris Hansen:** If it's such a great product, then why not tell them. That's not what you said up front. **Rickey Gibbs:** No, it's not. It's not. It's not. **Chris Hansen:** You're a little dodgy there. **Rickey Gibbs:** Well, I didn't mean to be. I really didn't mean to be. **Chris Hansen:** But you see what I'm getting at? **Rickey Gibbs:** I see what you're getting at.

Rickey Gibbs says he didn't intend to mislead anyone.

Chris Hansen: Yeah. Well, Rickey, there's something I've got to tell you. **Rickey Gibbs:** All right. **Chris Hansen:** That you may not know. I'm Chris Hansen with Dateline NBC and we're doing a story on the practices of people who sell this financial product. **Rickey Gibbs:** Right. **Chris Hansen:** And if there's anything else you want to tell us about this-- **Rickey Gibbs:** I'm not-- **Chris Hansen:** We'd like to hear. **Rickey Gibbs:** I mean, I don't -- I haven't done that I thinks wrong.

But before he leaves, Rickey Gibbs has a few choice words for us.

Rickey Gibbs: And, I think what you've done is awful. I mean, you've just-- **Chris Hansen:** What I've done is awful? **Rickey Gibbs:** Yeah, what you've done is awful. **Chris Hansen:** There was not a lie here sir. **Rickey Gibbs:** I say that you're a liar because you didn't tell me what you were doing and who you are.

He's upset we didn't tell him we were from Dateline when we first invited him to the house.

Rickey Gibbs: I think that's crazy. I guess we're done. **Chris Hansen:** OK. **Rickey Gibbs:** We'll see you. **Chris Hansen:** Thank you for your time. **Rickey Gibbs:** Thank you for being such an a--hole. **Chris Hansen:** That's nice talk...

We've seen some of the tactics insurance agents use to sell to seniors. The agents seem awfully slick. How did they get so good? You are about to witness something few people have ever seen -- a school where, authorities say, insurance salesmen are being taught questionable tools of the trade. These training sessions are only open to licensed insurance agents.

We don't know whether the salesmen we've met so far studied here, but the state of Alabama agreed to help us investigate by issuing insurance licenses to two Dateline producers, so we could attend -- and bring along our hidden cameras.

(hidden camera) **Tyrone Clark:** Annuities are not liquid? That is baloney ...

This is the man in charge of "Annuity University" -- Tyrone Clark, the self-proclaimed king of annuity sales. Annuities are legitimate investments for some people, and Clark is a strong advocate for them. He says they're safe and have no risk, which are selling points especially appealing to seniors.

(hidden cam) **Tyrone Clark:** What I sell is peace of mind ...

And for the next two days, he'll be giving motivational speeches and traditional sales tips.

Tyrone Clark: I have trained more millionaires in the annuity industry than anybody in America ...

But what else is Tyrone Clark teaching? In 2002, the state of Massachusetts accused Clark and his companies of a "dishonest scheme to deceive, coerce and frighten the elderly." Part of the evidence was the training manual in which Clark tells agents to sell to seniors by assuming they're "selling to a 12-year-old" and by hitting their "fear, anger or greed buttons."

Clark settled that case without admitting any wrongdoing. And, now, his company says it's become "an industry leader" in promoting ethical conduct. But watch what our hidden cameras found, and see if you agree.

Remember those scare tactics?

(hidden camera) **Tyrone Clark:** And I'm bringing these things up that disturb the hell out of them.

For Tyrone Clark, disturbing people seems to be Annuity Sales 101.

Tyrone Clark: I bring out the stuff that-- where they can't sleep at night.

And how do you do you make them worry? One way is to suggest their money may not be safe, even in a bank, by telling a potential client something like this.

(hidden cam) **Tyrone Clark:** FDIC is insolvent. FDIC only has \$1.37 per every \$100 on deposit.

Another way is to mention a senior's natural fear of nursing homes.

(hidden camera) **Tyrone Clark:** I help my clients to protect their life savings from the nursing home and Medicaid seizure of their assets. See, that's scary, and it should be scary.

The next step? Promise people easy access to their money. Even though, with some exceptions, annuities lock up most of your money for a specified number of years, listen to the sales pitch Tyrone Clark suggests.

Tyrone Clark: There are more ways to access your money. There are more options. There are more choices to access your money from an annuity than any other financial instrument.

We asked Minnesota Attorney General Lori Swanson to watch what our hidden cameras had captured.

Chris Hansen: How would you characterize what this man has said? **Lori Swanson:** I think that he is not telling the truth when he tells those agents that an annuity is the most liquid place a senior citizen can put their money. It is simply not true.

For example, if you put your money in a savings account at a bank you could withdraw it at any time. But that's not all that goes into convincing seniors to buy. You have to make sure they believe you know what you're talking about -- that you have credibility.

At Annuity University, Dateline discovered part of an underground industry that helps insurance agents puff up their credentials and mislead you about who they really are.

(hidden camera) **Dateline:** Which are the books that we can write with you? **Richard Duff:** This one.

Want to look like a respected author? This man will let you put your name on the cover of one of his financial books. All you have to do is write a short biography. And oh, by the way -- give him a few thousand dollars.

Dateline: Instead of just your name. **Richard Duff:** We'll put the three of us on here.

Dateline: Isn't that cool? **Richard Duff:** It is good. And it's your first chapter, there's room for five or six, seven pages, all about the way you're looking at things, and phone numbers, contact information.

He's not alone. At Annuity University, this ad says you can be the author of a book called "Alligator Proofing Your Estate". Apparently, agents like the idea of pretending to be

authors, because Dateline found copies of the same "Alligator" book supposedly co-written by Jeffrey D. Lazarus, Steven Delott, and Ronald and Robert Russell.

Want to sound like a respected financial expert on a nationally syndicated radio show? At Annuity University, you can buy that too.

(hidden camera) **Jeff Hoyle:** Response radio is a pre-scripted radio show, for lack of a better word.

This trainer is explaining how, for a price, an insurance agent can pretend to be a guest on the radio. They'll send you the script, already written. Then, the radio host will call and record you.

Dateline: And Rick would interview us? **Jeff Hoyle:** Yes. **Dateline:** On the show? **Jeff Hoyle:** Yes. Yes. You are like the interview -- you are like the guest speaker on "Senior Concerns" talk show.

And, before long, you'll be armed with CDs of your guest appearance to help impress customers. Tyrone Clark says it's all part of the formula for selling annuities. But Attorney General Swanson says tactics like that can lead to abuse.

Lori Swanson: He is basically handing them loaded guns so they can walk into the senior's home and rip them off.

The insurance agent you're about to meet isn't just any salesman. He's a proud graduate of "Annuity University," the seminar program in Colorado run by Tyrone Clark. That's where Dateline's hidden cameras found salesmen being trained how to sell annuities. In this internet testimonial, Bill Denny credits his success to Tyrone Clark's sales secrets.

Bill Denny testimonial: They have helped me to be a tremendous success in the fixed annuities business.

Now, Denny and his assistant are sitting down in a house in Arizona we've wired with hidden cameras -- and he's about to give his pitch to my own aunt Alice.

(hidden camera) **Bill Denny:** Everything I do must benefit you.

Aunt Alice has volunteered to help me find out if insurance agents will level with a widow in her 70's when they try to sell so-called equity-indexed annuities.

Bill Denny: All I really do anymore are called EIAs. That stands for equity indexed annuity.

Remember, even though they're pitched as "can't lose" investments, experts like Alabama Securities Director Joe Borg say there are important reasons seniors should think twice before putting their money in indexed annuities.

Borg: You're locking in your money. You can't get it out exactly when you want it. There's high surrender fees if you need it.

The question: will the salesman warn us about all of that? Bill Denny's sales pitch begins with a laundry list of fancy-sounding credentials.

Bill Denny: I've been to the Institute of Elder Planning Studies, a Certified Annuity Counselor, a member of the Society of Senior Market Professionals ...

And before long, it seems like a flash-back to what we heard at Annuity U. Remember that scare tactic about banks and the FDIC being in trouble?

(hidden camera) **Tyrone Clark:** Because FDIC is insolvent. FDIC only has \$1.37 per every \$100 on deposit.

Bill Denny is about to repeat it.

Bill Denny: As we're sitting here talking, in real cash on hand they have a \$1.02 for every \$100 deposit in America. And that's it. And they can take 10 years to pay you back.

It's true that FDIC only keeps enough reserves on hand to cover projected bank failures. But remember, Dateline checked. Nobody's ever lost a dime on an FDIC-insured account. And it's paid off in days, not years.

Tyrone Clark: Annuities are not liquid? That is baloney ...

Remember how Tyrone Clark taught agents how to promise seniors they'd have easy access to their money? Bill Denny makes the very same pitch.

Bill Denny: Annuities have more liquidity than CDs.

But the key test is: will Bill Denny be honest and make sure my aunt Alice understands the size of those surrender penalties?

Alice Grace: God forbid if my grandson was in a terrible accident and they couldn't cover all the expenses or something, you know what I mean? I'd want to be able to help out on something like that?

Aunt Alice is asking about taking her money out in an emergency. It's a simple question really. And it has a simple answer. He could say: "Yes ma'am, it's costly to take money out early. You'd lose a bundle."

But instead of saying that, Bill Denny gives an answer that's muddled with information about taxes and IRAs. See if this is clear to you.

(Hidden camera) **Bill Denny:** Well, the thing is, of course, if you pull a big lump sum out you're going to have a big tax bill anyway. **Alice Grace:** Oh. **Bill Denny:** You know, it's all taxable. That's -- you never paid taxes on IRA money. But there's a depreciating surrender period right here, because you're under 80. But it goes for 16 years. It starts at 20 and ends up at zero.

Did you catch it? The information is in there. The annuity he's pushing has a 20-percent surrender penalty. But here's how fast it goes by.

Bill Denny: It starts at 20 and ends up at zero.

Minnesota Attorney General Lori Swanson says people deserve clear explanations.

Lori Swanson: It's absolutely misleading. I mean, really, they need to deal with these seniors straight. **Chris Hansen:** But to be fair, he did show her the brochure and the sliding scale of what the penalties would be. **Lori Swanson:** Yeah, he kind of he did. But it was pretty quick. And he's saying "sliding scale." And then the whole time he's talking tax talk. The tax issue has nothing to do with what she's asking.

When Bill Denny returns the next day, hoping to close the deal, I decide it's time to ask some questions of my own.

Chris Hansen: Hello ... **Alice Grace:** Come on in ... **Chris Hansen:** What's happening? **Alice Grace:** Oh, good. This is a gentleman -- **Bill Denny:** Hi, Bill Denny. Nice to meet you.

Bill Denny doesn't know I'm a reporter yet, or that we're recording with hidden cameras.

Chris Hansen: Listen, you know, her husband died not long ago. This may not seem like a lot of money to you, but it's all she has.

As I start pushing for answers, I have an advantage: I'm not a senior (yet), and I already know the right questions to ask. Like: how long will Alice's money really be tied up?

(Hidden camera) **Chris Hansen:** And that goes on for how many years before she could access the whole -- **Bill Denny:** Until the money ran out. **Chris Hansen:** No, no, no. When would she have access, again, to the full pot of money? **Bill Denny:** Oh, the surrender period over? **Chris Hansen:** Yeah. **Bill Denny:** It's a 16-year surrender period. **Chris Hansen:** Sixteen years.

It turns out that Alice's money will be tied up for 16 years. And what happens if she has to take her money out early? I ask Bill Denny about some of the fine print I'd spotted in his brochure.

Chris Hansen: “Minimum guaranteed surrender value. MGSV fee equals 80 percent.” Explain that to me. What does that mean? **Bill Denny:** Well, she can -- she could end up losing. Well, here, let's look at the surrender charge...

Bill Denny just admitted Alice could lose money. And he's pulling out the same table he glossed over the day before.

Bill Denny: That's because she did it in the first year, there's would be 20 percent the first year. **Chris Hansen:** OK. So that's what I'm getting at. So she needed to get at this cash, right? She would face in the first year a 20 percent -- **Bill Denny:** Well, if she ever took it out before the anniversary, that would be crazy. **Chris Hansen:** But I still need to ask you, when Alice was talking to you yesterday, every time she'd ask about what she had to go through if she needed to get her hands on that money, you sort of didn't get right to that 20 percent surrender penalty. **Bill Denny:** Well, I said this is why I left this with her. I said “Look through here.”

Leaving the brochure, he says, is good enough. Alabama's Joe Borg doesn't see it that way.

Chris Hansen: Isn't it up to the person buying these products, even if they are elderly, to read all the fine print, if in fact they're going to invest, potentially, their life savings? **Joe Borg:** I don't think I've ever met anybody who's even read the loan documents on their loan for their houses, let alone the person you trust sitting across the table who has told you, "Trust me. I'm here working for you. I'm a senior financial advisor. Trust me. Sign here."

But when it comes time to tell Bill Denny who I really am, it's my turn to be surprised.

Chris Hansen: Well, there's something I got to tell you, Bill, and that's I'm Chris Hansen. And I'm with Dateline NBC. **Bill Denny:** Really? **Chris Hansen:** --doing a story on sales technique-- **Bill Denny:** You know what? **Chris Hansen:** --when it comes to financial-- **Bill Denny:** They just called me on Monday. **Chris Hansen:** Who did? **Bill Denny:** The Denver office called me on Monday and said Dateline NBC is doing an expose on agents. **Chris Hansen:** Oh, is that right? **Bill Denny:** Yes.

Apparently word is spreading about our undercover sting. In fact, you may be surprised to hear that Bill Denny thinks it's a good idea.

Chris Hansen: And you understand why we'd be doing a story about this? **Bill Denny:** Absolutely. Absolutely. And actually, I actually have to be honest with you and agree with what you're doing because I don't want bad apples out there doing things the wrong way.

Bill Denny warns us that there are plenty of bad apples, but he's not one of them.

Bill Denny: Well, I believe this was totally upfront and truthful. I didn't mislead her in any way.

Bill Denny says he's never had a customer complaint in 15 years of doing business. And, ever the salesman, he shows just how determined he is to make a sale.

Bill Denny: So are we going to move the money? **Chris Hansen:** Not just today.

Later, his lawyer told us that because we limited the time he could spend with Aunt Alice, Denny tried to pack his normal 3-hour sales pitch into 45 minutes. If he'd had more time, Denny says, he would have given a full explanation of annuities - including those surrender penalties.

There is a phone call to the insurance giant Allianz, complaining about Robert Bradford. Records show there are more than a dozen law suits pending against Bradford, all accusing him of misleading people when he sells so-called "equity indexed annuities" -- a type of investment that locks up most of your money for years. Bradford denies misleading people. But we wondered: what would he tell one of our senior volunteers?

(Hidden camera) **Bob Bradford:** The new kid on the block is what's called indexed annuities ...

Bob Bradford thinks he's alone, but Dateline's hidden cameras are capturing his every word. Bradford warns you shouldn't put money in if you plan to take it out early. But remember, the key question is: will he be honest about the size of those surrender penalties if you do need the money.

Leon Morris: What happens if during the course of this thing I need to take out \$50,000? **Bradford:** OK. All right. **Leon Morris:** I mean, how does that work? **Bradford:** That would dip into it. And then you can do that. It's just like a CD. They would have a penalty for early withdrawal on anything over that 10 percent amount.

Bradford makes the penalty sound small, like a certificate of deposit at a bank. Minnesota Attorney General Lori Swanson says that's clearly deceptive.

Lori Swanson: It's absolutely not a fair comparison. They're like night and day. **Chris Hansen:** If I cash in a CD early, basically I lose some interest. What happens in I try to cash in early on an equity indexed annuity? **Lori Swanson:** You lose your principal. You lose your original money.

Here's an example.

If you withdraw a \$100,000 CD early, you lose interest -- but get all of your \$100,000 back.

If you withdraw a \$100,000 annuity, with a 10 percent surrender penalty you'd only get \$90,000 back. And you'd lose the interest.

But we're about to discover that's not the only thing Bob Bradford is deceptive about. Remember, he could make thousands of dollars in commissions on a sale. So, he reaches

into his bag of tricks and shows our senior volunteer a magazine where he's featured on the cover, along with the chairman of the federal reserve.

Bradford: You remember who Bernanke is? Ben Bernanke who-- **Leon:** I seen him on the television ... **Bradford:** Yeah. That's me right there.

Bob Bradford makes it sound like it's a big honor, something that made his mother proud.

Bradford: So my mother was -- this is the first time I'd ever been on the cover of the Rolling Stone, so to speak.

But wait a minute. Haven't we seen that same magazine before ...

Agent: Some of you may have seen financial playbook magazine

... with a different agent on the cover?

Agent: Federal reserve chairman on the cover. Also, the cover story is an interview with Randy.

How could two different agents be featured on the cover of the same magazine? Dateline discovered: if you're an insurance agent, it's easy.

All you have to do is go online to a special Web site, pay "Financial Playbook" several thousand dollars, pick a ghost-written article (I chose number #42, about annuities), and send in a picture (I used an old one of myself).

And before long, there I am on the cover of the new issue as a "Senior Advisor." We showed what we discovered to Minnesota attorney general Swanson.

Lori Swanson: Boy, that -- this is part of the marketing ploy. Build trust, show you're reputable. **Chris Hansen:** Then we found that for \$1,500, we could get the magazine with my picture on the cover. **Lori Swanson:** That's terrible. And you've captured it on tape, absolutely what we're hearing in all of these cases and investigations that we're bringing -- that these agents are not telling the truth.

When Bob Bradford returns to talk to Leon and try to close the sale, I decide to step in. I haven't told Bradford I'm a reporter, yet, but he may be on to us because, suddenly, I'm getting answers our senior volunteer never heard. Remember how he made those surrender penalties sound small, like CDs? Not anymore.

Chris Hansen: But let's say he had to get at some of this cash. **Robert Bradford:** Yeah.

Chris Hansen: What would the penalty be? **Robert Bradford:** In the first year it starts out at 16 percent.

A 16 percent penalty? Our volunteer never heard that number during the sales pitch. And remember that fake magazine Bob Bradford used to impress Leon? It's time to show him what we found.

Chris Hansen: I found that magazine, that very same magazine, with a different agent's face on it. **Robert Bradford:** Yeah, yeah.

At first, Bob Bradford acts like there's nothing wrong.

Chris Hansen: Now the reality is this, Bob. I looked around and I checked. And I contacted this outfit, and for \$1,500, they put me on the cover. **Robert Bradford:** All right. **Chris Hansen:** What did you pay to have your picture on -- **Robert Bradford:** Oh, I don't remember. **Chris Hansen:** You don't remember? **Robert Bradford:** Oh no. **Chris Hansen:** But you didn't write that article, did you? **Robert Bradford:** No.

It's time to tell Bob Bradford he's been caught in the act by Dateline's hidden cameras.

Chris Hansen: I'm Chris Hansen, with Dateline NBC. **Robert Bradford:** Oh, OK. **Chris Hansen:** And we're doing a story on questionable practices of insurance salesmen who sell financial products to the elderly. And if there's anything else you'd like to tell us about your dealings with Leon or with anybody else, we'd certainly like to hear it. **Bradford:** No. You don't put money in these things and turn around and take them out.

Bob Bradford denies he did anything wrong. And Financial Playbook told us they didn't know agents were using the magazine to puff up their credentials. Bradford says he wasn't trying to mislead anyone, that he gives a full explanation of surrender penalties before he completes a sale, and he blames those lawsuits on plaintiff's lawyers advertising for clients.

But remember that complaint call about him to Allianz, the nation's biggest seller of indexed annuities? In spite of customer complaints like that and a growing number of lawsuits alleging fraud, Allianz was one of the companies Bob Bradford was still selling for when he came to visit us.

Bradford: Mostly we're using a company out of Minneapolis called Allianz ...

Last year, Attorney General Swanson sued Allianz and several other insurance companies, claiming they "failed to properly supervise" agents and encouraged deceptive and misleading sales practices.

Gary Bhojwani testimony: ... annuities play a vital role for seniors ...

Insurance giant Allianz defends its products and says it's cracking down on salesmen. Just last month, it terminated its relationship with Bob Bradford -- and no longer permits him to sell its products. The president of Allianz declined an interview with Dateline, but he told a recent senate hearing he's implementing new safeguards to prevent deceptive sales techniques. For example, he's started follow-up phone calls to seniors from the main office.

Gary Bhojwani: Allianz employees will call every fixed annuity purchaser aged 75 or older to go through the features of the product with them and to be certain that those features are understood.

And what about Tyrone Clark, the man who claims to teach insurance agents how to make millions selling annuities?

Tyrone Clark: That's fear. The presentation should have that impact.

Turns out, he doesn't want to talk to me about the lessons Dateline caught on hidden camera. When I went to Clark's office, a lawyer met us in the parking lot and told us to leave.

Chris Hansen: There are some things that go on at the seminar that we'd like to ask you about. **Raymond Jones:** Thanks, but no thanks.

In a series of letters, Tyrone Clark's lawyers said:

- that the quotes we used from Clark's seminar were not "in full context"
- that Clark teaches agents to be "honest, ethical, and service-oriented"
- and it's the "duty" of an insurance agent "to present the facts, both pleasant and unpleasant, to customers"

They also said Dateline used an "unethical series of deceptions" by going undercover and using hidden cameras.

Leo Stulen: I'd been better off just to put it in the bank downtown.

For Leo Stulen, the man who lost thousands of dollars when he had to cash in an Allianz annuity early, there is some good news. As part of a settlement with Attorney General Swanson, Allianz has agreed to pay restitution without admitting wrongdoing. It means Leo and thousands of other Minnesota seniors who claim they were cheated will get a refund, plus interest.

Other lawsuits are pending against Allianz and other insurance companies nationwide.

Chris Hansen: What do you say to other retired folks who may be thinking about investing in an equity indexed annuity? **Leo Stulen:** Don't.

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