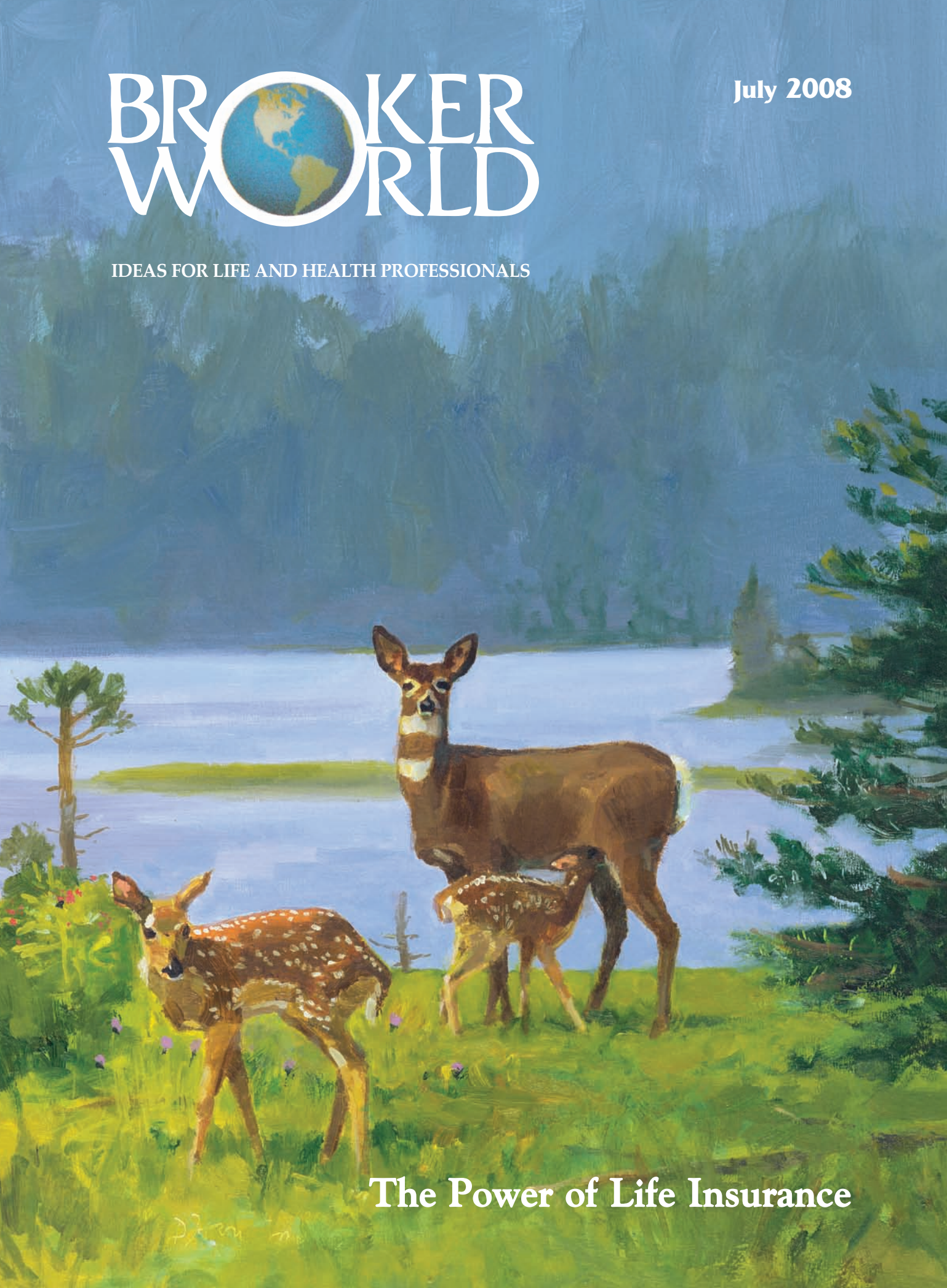


BROKER WORLD

July 2008

IDEAS FOR LIFE AND HEALTH PROFESSIONALS



The Power of Life Insurance



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Six Powerful Life Insurance Sales Solutions

Like most salespeople, life insurance producers constantly keep an eye out for something that will give them an advantage or capture more business. Many times their high hopes quickly fade into disappointment, and some even become cynical.

Even though all this is understandable, it points out a mistake producers often make. They don't put enough trust in themselves. One of the best tests for evaluating whether a sales idea or concept is on target is to ask yourself this question: "Does this make sense?" It's that simple. If it doesn't, don't bother with it and keep going.

Using the "trust your gut" test, here are six turnkey life insurance sales solutions. Please keep in mind that each of these ideas is not linked inseparably to the next. Each one is a standalone concept that meets a particular client need; in other words, each has its own sales objective. At the same time, there will be situations in which you may want to develop a presentation that could very well include more than one of these solutions.

While the six turnkey solutions are sales concepts, they are also sales strategies that help advisors differentiate themselves from the competition.

The critical step is identifying client situations in which these turnkey solutions may apply. Their value to an advisor is in recognizing the possibilities, which is why the first objective is to describe the six turnkey solutions, rather than going into detail.

At the point of implementation, both

insurance companies and brokerage general agents offer individual presentation software that supports each of these concepts. With minimal input, an advisor can prepare customized and compelling client presentations that can lead to quick and profitable sales.

Following are the six turnkey life insurance sales solutions:

1. Annual Policy Reviews. It seems so basic and obvious that meeting once a year or so with clients only makes good business sense. If that's true, why do so few producers do it?

Many seem to feel that they should devote their time to sales opportunities and they don't see the sales potential in having a meeting where there isn't a clear-cut sales objective. This may explain why so many consumers purchase various types of life policies over the years from a number of producers. *No one goes back and another producer enters the picture.*

Annual policy reviews are a necessity today. On the one hand, the performance of many policies on the market today demands careful and regular attention. Couple this with the lifestyle changes taking place for many people today and it may mean that a policy purchased even two years ago may not be appropriate now.

At a most obvious level, such circumstances provide fertile ground for new sales and, equally important, for referrals to family members and associates.

2. Pension Maximization Alternative.

This strategy helps a client who will receive defined benefits at retirement and who must choose a single life or joint and survival annuity.

The pension maximization alternative is selecting a life insurance policy, which makes it possible for the plan participant to take full benefits at retirement and use the tax-free death benefit to replace the pension income stream for the spouse should the participant die first. Generally, then, the spouse receives the death benefit proceeds both income and estate tax free.

If the spouse dies first, the life policy will likely have some cash value, which can be cashed out or kept in force to pass on to heirs.

3. Annuity/CD Maximization. This solution provides additional income and a maximized amount for heirs. A good example would be a client who has a \$500,000 CD that generates a certain amount of income, but who wants to increase his annual income and maximize what will eventually be transferred to heirs.

The strategy would be to liquidate the CD and purchase a single premium immediate annuity (SPIA). Then with a portion of the increased after-tax income, the client makes exclusion gifts to an irrevocable life insurance trust (ILIT) in an amount equal to the life insurance premium. The ILIT trustee would then purchase a guaranteed premium life insurance policy with a death benefit of \$500,000 in this case.

This solution guarantees the client an improved income for life, the ability to transfer \$500,000 to heirs and an estate tax benefit of \$250,000 as compared to retaining the CD.

A turnkey solution should be easy for everyone involved to understand, as well as being equally easy to execute. This solution certainly passes the test.

4. A 401(k) Alternative. The 401(k) plan, tax deductible for the corporation and tax deferred for the employee, has become a

primary retirement fund for millions of Americans. A more recent and quite popular variation is the Roth 401(k). Participants pay tax on contributions, but the withdrawals are tax-free.

However, it's not necessary to use a Roth 401(k), when the same objective can be attained with a variable universal life, group universal life or an equity indexed life policy.

More wealthy individuals are viewing life insurance as an asset class for these reasons:

- **Tax advantages.** The death benefit is generally received tax free and, if properly structured, estate tax free. Any policy cash value accumulation is on a tax-deferred basis. There is also tax-advantaged access to cash through loans and withdrawals.

- **Death benefit.** Heirs receive a known, fixed amount at a point in time, i.e., the death of the policyowner. The predictable death benefit can serve as a hedge against other possible portfolio fluctuations.

- **Internal rate of return.** This may be significant in the short term as well as to life expectancy and possibly beyond.

- **Leverage capabilities.** In the early years, the life insurance death benefit provides significant leverage over the premiums paid, although non-life assets will eventually catch up. When an alternative investment would provide equal or better returns is the crossover point. The objective is to have this occur past life expectancy.

As a turnkey solution, the life insurance alternative can offer benefits not available with a 401(k) program.

5. Lifeterm. The objective is to provide a client with an income tax-free death benefit. Lifetime term is a type of universal life insurance that can be funded with either a single premium or annual premiums—whichever fits the client's financial situation best.

The premiums are guaranteed by the insurance company and will not increase

after the policy has been issued. Lifeterm policies can be written on a single life or as a joint life and, if properly structured, may be estate tax-free as well.

This solution is particularly appealing to those clients who want to transfer assets to the next generation with maximum tax efficiency. It can also serve affluent clients with assets that are not needed for future living expenses.

As you might imagine, this is a cost-effective way for a client to create tax-free funds to pay estate taxes. Most important, the low cost is similar to term life but lasts a lifetime.

6. Preserving Stretch IRAs. This turnkey life insurance solution can be helpful in working with the growing number of boomers who have large taxable IRA accounts. The insurance provides an income tax-free lump sum at death so the heirs can "stretch" inherited IRAs for 20 to 30 years while continuing tax-deferred growth. It can be either a single or joint life program.

The target clients are between 55 and 70 years of age who have IRAs of \$500,000 or more, do not have need to use the IRA accounts for current income, and want to leave them to heirs.

It's quite possible that the heirs may not be aware of the "stretch" or they may need liquidity to cover estate taxes. It's also possible that they want liquid assets available for their personal spending.

The solution involves consolidating the client's retirement assets into a full-service IRA, reviewing the beneficiary designations, using life insurance to create the necessary liquidity and, of course, educating the beneficiaries on the value of the "stretch" IRA.

These six turnkey solutions were specifically chosen because they can apply to a number of clients found in just about any advisor's practice. Each one positions life insurance's unique wealth-creating and enhancing benefits for clients. 📌