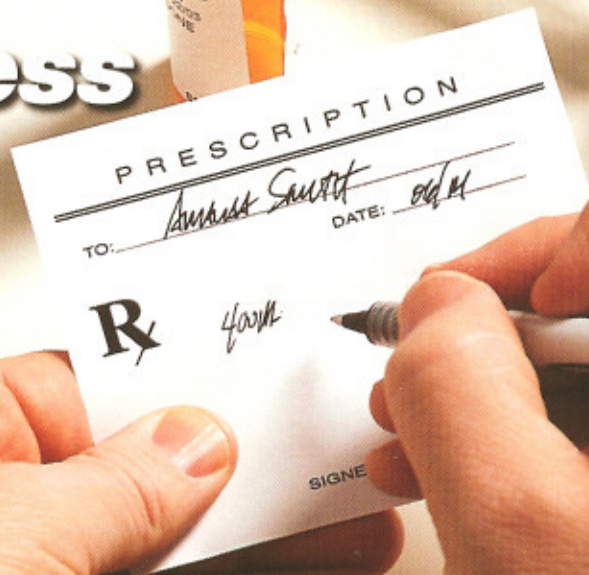


LIFE INSURANCE SELLING

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New Strategies for Selling Life Insurance in the Senior Market

By Allan D. Gersten, CLU, ChFC, CFP

Needham, Mass.

“Producers do a disservice both to the 60-plus group and to themselves if they ignore these people.”

Contrary to popular wisdom, seniors have substantial life insurance needs. Even more important, they have the money to buy it. Producers do a disservice both to the 60-plus group and to themselves if they ignore these people.

Yet prudent financial advisers want to know that it's worth investing their time and effort in this market.

Although some 70 million baby boomers are moving rapidly into retirement, it isn't only the enormous numbers that are so striking.

As the *Yankelovich Report on Generational Marketing* pointed out, this is the group “that grew up with the expectations, life skills, and values created by the unbridled economic growth of their formative years.” These are forward-looking people.

Their eyes are not on the past. They're consumers with expectations who aren't afraid to go after what they want. And the Internet has given them a new tool to help them reach their objectives.

Yet most producers are focused on helping people get ready for retirement, missing the large group of affluent seniors. While helping prospects prepare for retirement certainly makes good business sense, the mindset can blind the producer to the needs seniors have when it comes to investments.

A few examples of the many opportunities open to advisers in the senior market include:

- Replacing money spent on a long-term care policy. A 65-year-old can buy a policy for \$4,000 a year that assumes a 25-year life expectancy and a \$100,000 life insurance policy.
- Examining morbidity vs. mortality. The consumer cannot qualify for a long-term care policy but readily qualifies for life insurance. Because the average long-term care



Allan D. Gersten, CLU, ChFC, CFP, is chairman and CEO of First American Insurance Underwriters, a national life brokerage firm. He has been in the life insurance business since 1969. Mr. Gersten spent 20 years as a personal producing agent, agency manager, and brokerage manager, and has spent the past 15 years at a brokerage general agency operation. He is a member of NAILBA.

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claim is \$250,000, the person can buy a \$250,000 life insurance policy to replace the funds spent on long-term care.

- Replacing Social Security income that is lost or reduced at death, leaving the surviving spouse with less income. A \$120,000 life insurance policy almost can replace it.

- Maximizing pension income. Usually, defined benefit pension payments are reduced by 20% to 30% if they continue to the surviving spouse, or \$12,000 a year on a \$60,000 pension. A large life plan costing less than \$12,000 a year may be a better alternative.

- Planning for estate conservation and liquidity. Universal life can offer tax-deferred accumulation with tax-free distributions if set up properly.

- Protecting assets. Life insurance can provide a worthy shield in litigation and can be confidential.

- Continuing income. As a corporate benefit on a selective basis, life insurance contracts can provide an employee with executive supplemental income benefits, including income continuation in the event of disability, to the employee's spouse in the event of death, and to the employee upon retiring or leaving the company's employment.

- Offering tax-sheltered accumulation. Life insurance contracts can be appropriate for pre-tax corporate retirement plans, selective retirement plans, and employee benefit trusts. Opportunities also exist for tax-deferred accumulation through tax-deferred compensation plans, along with maximizing IRA accounts for estate needs including both SEPs and salary reduction SEPs.

- Using intergenerational plans. Using life insurance in conjunction with a dynasty trust can maximize generation-skipping transfer tax and use of gifts and charitable giving techniques.

- Preparing for death expenses. Life insurance policies can pay final expenses, as well as inheritance and estate taxes, avoiding both probate and notoriety.

- Planning for business continuity. For business owners, life insurance can pay for business continuity expenses. Both life and disability income programs can be effective as buy-out funding sources to ensure continuity and liquidity in a partnership or corporate entity.

- Covering debts and mortgages. Life insurance can be a source of liquidity to cover outstanding debts or mortgages.

Knowing how to solve seniors' financial problems is the first of two critical steps. Armed with an arsenal of life products, every producer can meet the financial challenges facing seniors.

Do seniors know that life insurance products can provide them with greater financial security? It's only fair to assume they don't. And that's the adviser's opportunity.

The second step is equally important: how to go about making the sale. Guidelines that can help the producer do more business in the senior market include:

- Think about the prospect, not the prospect's age. The big danger is letting age define how the producer thinks about prospects. Plenty of opportunity exists in every age cohort — including seniors. Stereotypical thinking blinds the producer to opportunity.

For example, older parents with young children are common, and the group's size is going to grow as the age of marriage and childbearing moves upward. Old age doesn't mean retirement. Plenty of older people enjoy working as valued employees or business owners.

People also believe that after someone turns 60, he or she stops consuming anything other than medications. Wrong! In an interesting exercise, senior market expert David B. Wolfe offers a series of statements and asks the reader to estimate the age of the person who makes each comment. He uses this to drive home the point that it's impossible to determine the age because values cross age lines.

The adviser's task is to uncover what the prospect values. What's important to the prospect is the key.

Coming to senior prospects with preconceived notions about what they're going to buy is trouble.

- Avoid patronizing or talking down to seniors. For some unknown reason, far too many of those working with seniors speak to them as if they were children. It's conveyed by both the tone of voice and the words they use. It's as if they think they should "play teacher." It's misleading to think that the older one becomes, the more help

he or she needs in making decisions.

Even more to the point, the idea of getting old is changing. "Boomers don't see themselves as ever getting old or aging," Joan Seamster of Customer Insights notes. She points out that "down-aging" is the term used to describe this phenomenon. And boomers aren't alone in feeling this way. Active, interested, involved seniors feel the same way. Old is a long way off even for many 75-year-olds.

If the producer talks down to seniors, he or she might be out the door. Seniors are better informed than one might think.

- Recognize a legacy mindset. If the producer believes seniors dwell on "the good old days," he should think again. While that may have been true with previous generations, it's quite different today.

With a longer, healthier life expectancy, today's seniors look to the future. The growing popularity of various kinds of elective cosmetic surgery among both older men and women reinforces the idea that they are looking forward, not back.

At the same time, however, they possess a "legacy mindset." They have years of accumulated experience — they've seen more, experienced more, endured more, and enjoyed more.

Unlike previous generations, they're less willing to take advice simply because it's given or to buy simply because someone seems friendly. Today's seniors can process information. Simply because they may take more time making decisions doesn't mean they are "slow." They want to be sure they're making the right move.

- Offer options, not answers. Having more choices is appealing; anyone who ventures down a supermarket cereal aisle knows this. At the same time, too many choices tend to paralyze people, keeping them from making decisions. "It turns out that many people, though happy about the availability of telephone choices or electric choices, don't really make them," Barry Schwartz writes in *The Paradox of Choice*. "They stick with what they already have without even investigating alternatives." Simply because someone says he or she can save people money, they don't jump. They've heard it too many times.

With all the investment opportunities available today, is it any wonder

that consumers often are unsure about which way to go and even leave large amounts of cash in low-interest accounts?


The era of too many choices offers an unequalled opportunity for advisers. By listening to what's important to seniors, the producer can help prospects avoid decision paralysis or simply stay with the familiar by offering a limited number of choices, perhaps two or, at the most, three possibilities.

It's this simplifying process that makes the adviser valuable to prospects.

- Watch that first impression. After it's made, it never changes. With more years of experience upon which to draw, seniors tend to be more comfortable with their gut feelings. And this includes first impressions. Cynthia Adams of the University of Oregon has conducted research indicating that middle-aged and older people comprehend something more quickly and complete-

ly than younger minds do. Why shouldn't they? They've processed more information than younger people.

If there's a word of caution, it's this: First impressions are more important than ever. There's no recovering from getting off on the wrong foot. If the producer makes a mistake, there probably are no second chances.

The message is clear: Seniors have come into their own. They are both a force in society and an opportunity for thoughtful advisers. 

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Pfungsten Publishing LLC
1801 Park 270, Suite 550
St. Louis, MO 63146
(314) 824-5542 Fax: (314) 824-5622
www.lifeinsuranceselling.com
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