The Advisor's Edge

Sales Strategies You Can Use

PRESIDENT'S MESSAGE

We never know what can come our way…

Ken Shapiro
President

There's a story about an African farmer whose neighbors found diamonds on their land. Not wanting to miss out on a good thing, he sold the farm and went prospecting. While he eventually gave up, the man who bought his land made a discovery. The rocks covering his fields were filled with diamonds.

It's the same with many in our business. Even though we have the right clients and prospects, we fail to recognize that there are business opportunities all around us waiting to be discovered.

The trick is knowing how to spot them. To start with, everybody has some type of life insurance, disability income, or annuity policy. This is good news because there's something to talk about, something that can get a conversation going that isn't a sales pitch:

- Is the policy adequate for the person's life situation?
- Are there issues with the coverage?
- Is it aligned with the client's or prospect's goals?
- And most important, what's missing? Where are the holes?

All diamonds waiting to be discovered.

While identifying the opportunities is the essential first step, coming up with a solution that's the right fit for the client can be challenging today. It's knowing where to strike the rock to

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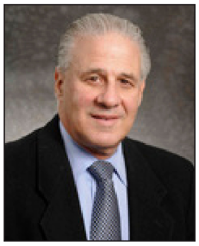
Two Case Histories

The Motivated Impaired Risk Buyer of Life Insurance

Allan D. Gersten, CLU, ChFC, CFP®



Getting it right at the start

How to motivate life insurance buyers who are faced with higher costs than their healthier counterparts daunts many advisors. The question is anything but theoretical since nearly 50 percent of current cases are classified as impaired risk.

Life insurance sales are not for the faint of heart, particularly since many advisors find it difficult approaching prospects with "sensitive" health questions. It interferes with and can disrupt the sales process, making it both difficult and uncomfortable for advisors and clients.

It need not be this way if advisors view their role as helping clients reach a goal or objective. By taking this approach, discussing personal issues, such as health and medical history, are put into perspective and become an essential part of the process.

Prudent advisors recognize that impaired risk is the new normal, not the exception, and they are well-prepared with the knowledge needed.

Furthermore, they embrace the impaired risk process as one of shepherding clients so they come to view it as a partnership with the advisor. The client's unique role is being candid and forthcoming about their health and medical situation because that's what it will take for them to gain the coverage they need and want.

All of which is to say that an informed and actively engaged prospect is more likely to become a motivated life insurance buyer. Or to put it another way, participation is persuasion.

Against this background, actual case histories can put motivating impaired risk clients in perspective. To read the full article, please visit the articles section of our website **www.faiu.com.**

Providing Value: The Three L's of Hybrid LTC

Derek Wakefield
LTC and DI Specialist

The landscape of the long-term care market has shifted dramatically. Gone are the days of traditional standalone LTC plans with their striking similarities to car insurance: hope you end up needing the insurance or watch your money circle down the drain. Today's consumer demands a product with real value and a return they will actually realize at some point.

With hybrid plans, LTC products have evolved to meet consumer's needs by combining the traditional components of a life insurance policy with the highly leveraged benefits of a long-term care policy. Together, they create enormous value for consumers.

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INTERNAL SALES CORNER

Solving a life policy loan problem

A policy has been inforce for many years, building up significant cash value. But you also see loans on the policy have been used to pay premiums or take cash withdrawals. It's easy for you to figure out what happened.

All this led to higher mortality costs and high interest rates on the loan. All this created a potential for an untended policy lapse. After discussing the situation with the client, you point out their options:

- **Option #1.** If they do nothing, the policy may lapse and taxes will be due if the policy has gained value.
- **Option #2.** If they have available funds, they can repay the loan, recognizing that the premiums may continue.
- **Option #3.** They can also do a 1035 exchange to a new policy that "mirrors" the loan. This can be appealing since a new policy may come with a higher death benefit, lower loan interest costs, and living benefits. Premiums can be paid out-of-pocket or they can wait until year 2 or later and request a withdrawal to pay down the loan with available cash value. If they choose this option, surrender charges will likely be applied to the withdrawal and death benefit. Additional premiums may also be needed.

Knowing you want to help them solve a serious problem is one of the best ways to enhance your credibility with clients. To express their appreciation, they will likely talk you up with family and friends, make referrals, or go to you for additional insurance.

Time to consider a fixed annuity?

Paul Heffernan
Annuity Wholesaler

Fixed Annuities offer a competitive return and strong guarantees that often provide principal protection. No matter what's happening on Wall Street, fixed annuities offer growth potential with less exposure to risk and market volatility.

Even in a low interest-rate environment, a fixed annuity may be just the right fit. The benefits of tax-deferral and interest compounding can grow savings faster than a client may think. Fixed annuities offer unique combinations of safety and guarantees that other financial products may not, and can help diversify anyone's portfolio.

If your clients are looking for safety and growth, consider a fixed annuity from one of our highly rated carriers.

Contact Paul Heffernan at pheffernan@faiu.com or 781-449-6800.

President's Message
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free the diamond that makes all the difference between a sale and no sale.

Life insurance products are no different. When some advisors entered the business, they worked with a limited product menu and an understandable death benefit message that resonated with prospects. For the most part, they had the market to themselves. With no "financial services" industry to contend with, the competition was other life agents.

Needless to say, today's environment is totally different—and it's not just limited to overall competition. The stream of new products can be overwhelming, often complex and difficult to keep track of, let alone sell. Yet, they give advisors a huge edge since they are investments that can be customized to meet specific client objectives.

What has become clear is that getting the order requires a partnership. You have the skills for gathering the information needed to create the right program for your clients and prospects, First American has the knowledge, expertise, and support for delivering plans that become sales.

Despite all the investments that are available today, it's worth keeping in mind that nearly 80% of Americans favor life insurance. Talk about acres of diamonds!

Are you offering term life products clients want?

Greg Schwabe, FLMI
Brokerage Manager

Something is happening to term life products

Gone are the days of "one size fits all" when it comes to just about everything—including Term Life products. Think about it. Not so long ago, your clients were quite predictable. Some were young marrieds, while others were buying a home, growing a family, advancing in their jobs, or middle-aged folks with a friend who had just passed away.

Running through the reasons for buying term life was the death benefit, protecting the family financially if something should happen to the "breadwinner." When it comes right down to it, term life sales were and essentially still are transactions.

The death benefit is still a top priority. But, more often than not, prospects assume that term life policies are all about the same, so they're looking for the price. Attempts to slow them down enough so you can talk with them are often futile.

By changing the narrative, it doesn't need to be this way. For example,

A term life death benefit gives your family basic financial protection but it doesn't do anything else.

It doesn't help you in case of a qualifying chronic, critical, or terminal illness unless your term life policy comes with what is called an accelerated death benefit that pay you while you're alive. In other words, they offer living benefits.

Depending on the policy, some living benefits are unrestricted so you can accelerate the death benefit and use all or a portion of it for adult day care, nursing home care, home modifications, "quality of life expenditures," and regular bills.

Since insurance companies compete for business, as a consumer, you have the flexibility of choosing a term life policy with the living benefits that work best for you.

Perhaps the best part of having a term life policy with living benefits is the low cost. With companies offering this benefit, there is no additional cost at the time of sale. While the base term cost might be a bit higher than companies at the top of the spreadsheet, what do they get for a few extra dollars? Double protection. Two policies for little more than the price of one.

Why haven't you heard more about term life living benefits?

You may be wondering why you haven't heard more about term life with living benefits. As it turns out, the information has been hiding in plain sight. If you run a term life spreadsheet, about 50 may come up starting at the top with the lowest price. You then pick a handful or more to show your client.

Hidden away below your choices are the accelerated benefits policies. Only a few companies currently offer this benefit on term insurance, but that could be changing. Yes, they cost a little more – however they also do more. This makes them a sales opportunity. Instead of getting caught in a battle over the lowest price, you can change the sales narrative. You get your client's attention so you can sell value.

And now with simplified underwriting processing, no physical, no medical questions, and maybe a phone call from the carrier, policies are issued in a few days, possibly even hours.

Ask your clients if they still have the old term insurance or the new term insurance that gives them benefits without having to die. If a client should have a stroke or heart attack, they will get no benefit from the low-ball term plans found at the top of the spreadsheet.

Do yourself and your clients a favor, when you do your next term spreadsheet, don't stop with the top handful. Dig down deeper until you find the good stuff —what appeals to today's consumer.

Providing Value: The Three L's of Hybrid LTC

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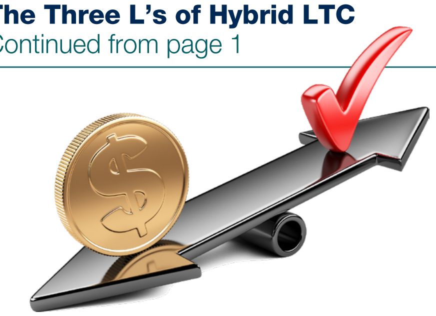

Here are the three L's of hybrid long-term care products:

- Leverage. As with any LTC policy, the objective is to maximize the return on investment in the form of benefits that can be used during a long-term care event. Hybrid products allow clients to take their $100,000 investment now and turn it into four or five times that amount in the form of an LTC benefit pool when they are likely to need it. The basis of long-term care insurance is to pay cents on the dollar now instead of spending down assets dollar-for-dollar when needing care.
- Liquidity. Life can change in a moment's notice, so it helps to have an insurance policy with the flexibility to cater to a person's needs. Hybrid LTC plans have guaranteed cash surrender value built into the policies so that clients have a safety net if they chose to walk away from their policy. Unlike most traditional LTC plans, hybrids allow clients to receive a portion or all of their premiums back upon surrendering the contract.
- Legacy. "What happens if I don't end up needing care?" With traditional LTC plans, a client is out of luck and will realize no return on their investment. If a client with a hybrid plan were to pass away early, their beneficiary would receive a death benefit with some type of gain on the investment. While the main objective with an LTC sales is never death benefit protection, clients can have peace of mind knowing their beneficiary will receive something should they never need care.

Leverage, liquidity, and legacy are the three points of value within every hybrid LTC strategy. Providing a client with an option that will protect them and guarantee a return on their investment is invaluable and could make or break an advisor's next LTC sale.

LIMRA Research
Where prospects are waiting for you

About 1 in 5 Americans, mostly Millennials and Gen X consumers, indicate they are looking for a financial advisor, according to LIMRA's 2019 Insurance Barometer Study.

Where will you find them. Fifty-one percent of Millennials and 32% of Gen X consumers look on social media for potential advisors. The study found that nearly 85 million Americans go to social media to learn more about financial advisors, and "6 in 10 of these consumers say they use social media to find information on financial services products and services or were looking for reviews on financial professionals."

Where were these consumers looking? Facebook was #1, while LinkedIn and Yelp, were close seconds.

What gets their attention? Hints for saving money, comments from other people, a statistic that makes me look at a specific situation differently, a quote or video from someone who has lived through a unique experience, and a link to a blog post that has valuable information for my situation.

If you want prospects, particularly those under 50, being active on social media is an effective way to engage them.

Indexed Universal Life
When a client's life changes shouldn't their life insurance policy change, too?

Tony O'Kussick, CLU, Director of Operations

In their early thirties, Bob and Vito are professionals with moderate incomes. They work for excellent companies where they have been for five years. Both are married with two young kids and own their first homes.

They started off with the same life insurance needs, mainly coverage in case of an untimely death to cover the loss of income, mortgage debt, and, future college expenses.

With the help of an advisor, they recognize the value of permanent coverage. Since they are money conscious, they plan to purchase either Indexed Universal Life policies with a term life rider or a combination of IUL and term life to cover death benefit needs.

As their lives moved forward, they worked their way up the ladder, but then their lives took different paths.

The corporate employee

Bob moved up, getting pay raises along the way. As this occurred, the need for cash value became apparent as retirement demands increased over time. Even though Bob had a retirement plan at work, it will not provide the type of lifestyle that Bob and his wife want.

With an advisor's help, Bob began overfunding his IUL policy, taking advantage of rising stock market gains, while protecting market negatives with the policy's zero percent floor. Since this worked so well, he has decided either to buy more IUL or convert the term he already has. Either way, he appreciates knowing he was covered in case an unfortunate health condition arose or an untimely death. He is thankful for his advisor's sound planning guidance.

The entrepreneur

Vito and a co-worker decided to leave their jobs and open a small business. Even though it was tough in the beginning, he benefited from his life insurance policy's flexible premiums and adjusted his deposits so he could keep the insurance in place.

After the first five years, their business took off and the original death benefit need had changed. Mortgage coverage and college costs were no longer the main issues since he has built up his non-qualified bank and brokerage accounts. With the business and a higher income, Vito is much more concerned with income tax-free retirement sources, business insurance, and estate planning. Vito is also pleased that his current life insurance can be adjusted to increase the tax-favored Cash Value, which can be converted to more IUL.

Indexed Universal Life Insurance works well in both of these scenarios, along with others, since the need for life insurance is always present. The benefits and uses shifted, which is what the IUL product is designed to do, whether death benefit, tax favored accumulation, or tax favored cash value distribution.

It is satisfying when clients talk about their goals and their advisor has a robust product available that can help them.