It's About Your Business

A newsletter for life agents & financial advisors specializing in coaching growth-oriented producers

PRESIDENT'S MESSAGE

Helping Trustees Do Their Job

Ken Shapiro | President

Even though the proposed DOL Fiduciary Rule is still up-in-the-air, it has upended the financial planning and retirement plan industry as it attempts to anticipate the final outcome.

But that's only one part of the story. There is also a heightened public awareness of compensation issues and acting in the best interest of clients. Millions of Americans are listening more carefully and asking questions about how all this affects them.

Here's an example of a long-ignored issue that's attracting well-deserved attention: life insurance policies in an Irrevocable Life Insurance Trust (ILIT). "90% of ILITs are managed by trustees that have no particular background or skill to manage life insurance," say E. Randolph Whitelaw and Henry Montag in their book, *The Life Insurance Policy Crisis*, published by the American Bar Association in January 2017. In light of this situation, it's not surprising that, according to estimates, at least two-thirds of trust-owned life insurance policies aren't being reviewed.

Certainly, those with life policies in ILITs and their beneficiaries have an interest in the status of their life insurance policies, but they aren't insurance experts, either. Monitoring the policies is the task of the trustees, who, at least in most instances, appear ill-prepared to fulfill their responsibility.

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Don't Settle For A No—Negotiate

Paul Agranat | National Sales Director

Most salespeople know the value of a positive attitude. They expect the best and they focus on closing the sale. They prepare themselves for a "yes" from customers. Unfortunately, they're not so ready for a "no." They try to keep the conversation going, but it doesn't work.

The salesperson's mindset is winning, not losing. "Don't come back without the order," or as one sales trainer says, "Wrestle them to the mat." Although it all sounds heroic, it doesn't make sense and it's why most salespeople don't come back with more orders.

Closing every sale is a worthwhile goal, but every salesperson knows it's not going to happen. But what can happen is learning how to close more sales than you are now. In simple terms, improving your batting average. And you can do it by turning "no" into "negotiate."

And here's how to go about moving from "no" to "negotiate"—

RECOGNIZE WHY SALES GO SOUTH

When you're so totally focused on getting a "yes" from a customer, everything else gets tuned out and ignored. This includes critical information that can either upset a sale if ignored or turn a "no" into "yes" if understood.

Whenever people meet, including salespeople and customers, each person hears selectively—and misses so much that can affect the outcome.

Misunderstandings. These are inevitable and they can't be avoided. Each party comes with a different perception of the same information.

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LIFE INSURANCE SALES

There's Plenty Of Low-Hanging Fruit

(if you know where to look for it)

Gregory E. Schwabe | FLMI, Brokerage Manager

Let's be frank, picking low-hanging fruit suggests going after the easy sales. The ones just waiting to be plucked. All you need to do is reach out and grab them.

There's one more step in life insurance sales. You need to know where to find the low-hanging fruit. When you do, you'll discover more than you expected: the opportunity for more sales and new revenue sources, while you enhance your relationship with clients you've had for years and keep the doors open for future sales.

The secret is knowing where to look for the low-hanging fruit. As it turns out, you don't need to go very far since all the information is close at hand—it's all in your records.

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Here's how Whitelaw and Montag describe the situation: "About 39% of inforce non-guaranteed universal life policies and 34% of inforce variable universal life policies, are illustrated by the carriers to lapse during the insured's lifetime or within five years of life expectancy."

To avoid possible policy lapses, it's only appropriate that advisors get in touch with clients who have ILITs and urge them to contact the trustees so the policies can be reviewed regularly to determine if they're performing as expected. Then, if they aren't, to recommend more appropriate solutions. Advisors should have similar conversations when a client purchases a life policy that's going into an ILIT.

Having advisors take on this responsibility is in their clients' best interest. Research, which dates from the 19th century to the present, shows that the wealthy live longer than others. Since they often have trusts that may contain ILITs, monitoring the performance of their life insurance can have serious financial implications.

All of this is to suggest that serving a client's best interests can extend far beyond the sale of life insurance policies. Helping trustees do their job is one of them.

Annuity investment strategy for the cautious client

Paul Heffernan | Annuity Wholesaler

Alicia, age 77, is highly risk-averse when it comes to the investments in her portfolio. While she prefers the safety of one-year CDs, Alicia is concerned that low interest rates will not be sufficient to supplement her retirement income.

Does this sound like some of your clients or prospects? If so, let's take a look at another approach to diversification that offers the same guarantees as CDs, but also provides additional upside potential.

If a portion of Alicia's portfolio is allocated to an indexed annuity, utilizing two crediting strategies, it will provide her with a guaranteed rate of return, zero downside risk, and give her the opportunity for higher returns to help supplement retirement income.With a fixed indexed annuity, your clients have the ability to allocate their premium between the fixed account and indexed accounts on the policy anniversary each year.

The index account is designed to maximize earnings with returns linked to the S&P 500, or other indices that may be available. It will never participate in any losses the index may see each year, only in a portion of the gains. The fixed rate offers a competitive guaranteed interest rate. Together, they give your clients a combination of safety and potential growth.

HERE'S WHAT CAN HAPPEN WITH ALICIA'S $100,000 INVESTMENT IN ONE YEAR ▼

Alicia's Current Plan: $100,000 invested in a one-year CD with a 1% guaranteed rate: account value after 1 year: **$101,000**

Diversification Plan with index annuity: $50,000 in fixed account with 2.95% guaranteed rate; $50,000 in annual point-to-point account with a $6.25% cap:

If S&P increases by 10%, account value	**$104,600**
If S&P decreases by 10%, account value	**$101,475**

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Moving too quickly. All the parties are rarely on the same page at any given time.

Incomplete information. What one party considers important, another considers of little value.

Listening gaps. No one listens uniformly. We hear what we want to hear, and we stop listening when we are thinking about what we are going to say next.

This is the context—the environment—in which every salesperson operates, day-in-and-day-out. It's a minefield filled with danger, a place where it's easy for a sale to blow up.

CHANGE THE NARRATIVE

It takes savvy, attentive, and flexible salespeople to change the narrative before a sale hits the wall—before it's too late. They defuse the situation by putting their presentation aside and have a conversation with their customer. They're going into a negotiation mode.

Somewhere there's a sticking point that's keeping customer and salesperson apart. Most likely, price, volume, service, products, payment terms, or timing is causing the logjam.

The purpose of the conversation is to give the parties an opportunity to express themselves openly and honestly.

A cooperative attitude is everything. It sends the message that you want to talk—to negotiate.

Be candid about what you want and why. Openness is essential. This is no time to be coy or for playing games.

If something isn't clear or bothers you, ask questions. Transparency creates trust and keeps the conversation going.

Be willing to give, if you get something in return. The goal is not to see who can wrestle the other to the mat first. It's to make it a win for everyone involved.

It's a salesperson's closing percentage that counts. The more that can be done to drive it up, the better. Quite often, it comes down to simply quitting too soon. Instead of settling for "no" and walking away, negotiating keeps the conversation going to arrive at a "yes."

First American's Advisors Incentive Trip To Kiawah Was A Big Hit!

From welcome cocktails Sunday evening through breakfast on Wednesday morning, the April 23-26 incentive trip to Kiawah Island was a winner. In between, there was plenty of time for a sales conference meeting, motor boat tour, shopping, dining, relaxing and, of course, plenty of golf.

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Here's where to find it

INFORCE TERM LIFE PLANS

1. Term policies that are within 24 months of the end of the level period.
2. Term cases approaching the end of the conversion period, due to age or limited conversion options.
3. Term plans with carriers that are changing the conversion portfolio to the disadvantage of policy holders.
4. Term plans that are no longer needed: is there a market to settle the policy rather than drop it, if still convertible?
5. Term policies with temporary flat extras that are about to drop off and are good opportunities to pursue a term conversion.
6. Term applications that were rated and not placed or postponed in prior years.
7. Term plans that are still inforce after the initial guarantee period. Surprisingly, there are quite a few of these on the books.
8. Show clients with 15 years remaining on a 20-year term plan a new 20-year term ledger.

PERMANENT LIFE PLANS

1. Policies on which a company has announced increases in the existing Cost of Insurance for inforce policies.
2. Policies with carriers that have merged or been taken over by another carrier could be subject to internal cost increases.
3. Rated policies due to a recent medical issue might now be eligible for a better rating with another company. Issues such as recent cancer or medical findings that were developed during underwriting.
4. New products and policy benefits, such as Long-Term Care riders, Return-of-Premium, and longevity riders that were not available when prior permanent plans were issued could have appeal to clients.

IMPAIRED RISK CASES

1. Closed cases that did not turn into an application. Has the client improved medically? Has their situation changed financially?
2. Cases that were postponed in the past 2-3 years. Is the postponement period now over?
3. Not taken cases. Typically, these cases end up with a rating or are closed because the case was misquoted initially. Has the situation improved?
4. Closed cases involving a business owner. Is there a multi-life opportunity to provide coverage?
5. Declines. These cases should be considered for Simplified Issue or Guaranteed Issue alternatives, as well as accidental death coverage, since they offer some measure of protection for clients. Provide a solution for the client that the insurance company cannot reject. These plans also allow advisors to get paid for their efforts.

REVIEW SMOKER POLICIES

1. Has a client stopped smoking recently?
2. Has a policyholder now been a nonsmoker long enough to get a better nonsmoker rate classification?
3. Can a smoker policy be written as a nonsmoker due to changes in marijuana underwriting?
4. Are there clients who have switched to e-cigarette use? They can now get a nonsmoker plan.
5. Was a policy postponed because the applicant quit smoking for less than a year and decided to wait to be eligible for a nonsmoker rate to reapply?

ANNUITIES

1. Multi-year rate guarantee annuities that are approaching renewal. Offer rate options before the rate guarantee ends.
2. Clients with CDs that are not using the growth for income. These are easy annuity sales in this interest rate environment.

There are lessons in all this low-hanging fruit. First, there is enormous value in keeping clients in the know since the benefits accrue to both of you. Second, change is on your side. Over even a few years, clients experience far more life and lifestyle changes than they did in the past. It's the same with life insurance products. Third, it builds client loyalty. Over 25 years, how many consumers buy several life insurance products, each from a different advisor? Why not capture that business? It sure beats wondering who you are going to talk to today, particularly since it's waiting to be written.

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A CASE STUDY

Preserving wealth for the next generation

HIGH EARNING / ESTATE PLANNING / CROSS-SELL APPROACH

Andrew Gordon | Senior Case Design Specialist

A producer approached First American for help in designing a large estate planning case for a younger couple (ages 50 and 45) with significant annual income. Their current estate, valued at $35M, will continue to grow. They have three children, providing significant annual gifting capacity.

CURRENT INSURANCE SITUATION

Each one owns an older Variable Universal Life plan, purchased 15 years ago, with combined cash value in excess of $600k. The Death Benefits associated with these plans are relatively small as they were designed for cash accumulation. Additionally, the husband has $5M of income replacement term life inforce. As clients' situations change in life, so should their insurance portfolio.

INITIAL ANALYSIS

Given the client's portfolio breakdown, there was no need for additional single life coverage; rather, the emphasis should be put on second-to-die planning for anticipated estate tax exposure. Based on the insurance carrier's growth factors for estate planning, we determined that there is enough justification for a policy of $25M.

PLAN DESIGN

A simple approach would be to use the gifting of $84k and the purchase of as much insurance as possible. While this is a worthwhile design, we can further help the client's estate tax situation and provide increased policy leverage. By 1035 exchanging the two VUL contracts into single life SPIAs we created an income stream that can be gifted to the new ILIT. This created an additional premium of about $70k to apply to the policy in years 1-10. Utilizing a design of a higher premium years 1-10 and continuing with annual gift exclusions years 11+ allowed the insureds to purchase a $25M policy, while taking the existing life contracts out of their taxable estate.

TAKEAWAY

It is important for producers to recommend policy changes that fit their client's needs as life progresses. By planning now, the majority of the wealth can transfer to the next generation.

Statistics from LIMRA

Future Bright For Life Sales

POSITIVE OUTLOOK

Ownership rates rising among younger households, notably among couples under 45 with children.

YOUNGER SAYING YES

Millennials, under 35, are buying life insurance; ownership rate jumped 48% in 2016

GOOD POSSIBILITIES

60 million or 48% of households have a life insurance "gap" of $200,000 on average

DOOR OPEN WIDE

The individual life insurance rate is still only 44%.