



Why Don't Life Insurance Advisors Go After Foreign National Prospects?

by Allan D. Gersten, CLU, CFP®, ChFC, as seen in



Everyone in the life insurance business knows there are attractive opportunities in the Foreign Nationals market. But it isn't just the size of this market, which continues to grow, but the prospects have what every life insurance producer dreams about: need, urgency, and means.

If that isn't enough, it's a market offering the possibility of writing large cases with motivated high-net-worth (HNW) individuals. And given all the hype about the Foreign Nationals market, why are so few producers active in it?

If there's one main reason why advisors are "taking a pass" on the Foreign Nationals market, it's this: *they don't know how to do it.*

- They're not sure what's involved
- They're uncertain about being successful
- They think it's too difficult to get up to speed
- They don't know how or where to start

While advisors may see the opportunity, even the lure of getting into a market with a burgeoning number of HNW prospects with a need for substantial amounts of life insurance isn't enough to sway them.

The problem isn't that this is a new market. Advisors are always jumping in when they see opportunity. They may be "taking a pass" on because they view it as different from what they've been doing. They may be like people who say they want to lose weight but don't know how to do it. If that's the mindset, here is what an advisor needs to know to move forward in the Foreign Nationals market.

1. The prospects

The first step is to get have a clear picture of the prospects:

- Non-Resident Aliens who own U.S. assets, but who reside permanently in another country. And Non-Resident Aliens, who are working professionals and who spend considerable time in the U.S.
- Resident Aliens, Foreign Nationals living in the U.S who own assets subject to U.S. estate tax. And U.S. citizens married to a non-U.S. citizen.

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2. Their problem

Each of these three groups has its own issues:

- Non-Resident Aliens: usually, only those assets located in the U.S. are subject to federal estate and gift tax. But they are allowed a \$13,000 tax credit, which only protects the first \$60,000 of an estate from estate taxes.
- Resident Aliens: worldwide assets are subject to U.S. estate and gift tax. Also, they do not qualify for certain tax advantages afforded U.S. citizens, creating a need for careful estate planning. Also, they may be subject to expatriation taxes when they are no longer U.S. residents.

3. How U.S. life insurance solves problems

Since purchasing life insurance in many foreign countries can be expensive and uncertain, U.S. life insurance has a strong appeal to Foreign Nationals. Here's how it can help solve critical problems:

- It can provide the necessary liquidity for paying U.S. estate taxes, while enhancing an estate plan, if necessary.
- Help avoid the need to sell assets, perhaps at a discount, in order to meet estate tax obligations.
- Serve as a way to transfer additional funds to a non-citizen spouse.
- Non-Resident Aliens can own life insurance on their own life insurance without the complication of setting up a third-party trust or some other legal entity, and the death benefit will not be subject to U.S. estate taxes.
- Life insurance-based estate plans can be modified to fit changing client requirements.
- There is tax-deferred cash value accumulation.

4. Identifying prospects

- *Where are they?*

Their business and real estate investments tend to be in and around major metropolitan areas where there are colleges, universities, and tech centers. Along with the East and West coasts, there are the inland metro areas, such as Chicago, Denver, Dallas, and Austin.

- *How do you find them?*

As you might imagine, it takes research (detective work), persistence, and most importantly, patience to find the right prospects. Start with own networking and existing contacts. Then, move outward to CPAs, attorneys, family offices, real estate organizations, chambers of commerce and organizations serving those from foreign countries, as well as business owners and executives.

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5. Getting the job done

- *Position yourself as the go-to advisor.* The first step is learning the ins-and-outs of working with Foreign National clients. Since you already know the life insurance business, you're well on your way there since the needs of Foreign National are basically the same as those of your current clients.
- *Have the proper technical support.* As a producer your task should be prospecting, not backroom concerns. With the right resource, one that can answer questions, give you sound advice, help with such issues as getting medical records translated, and having relationships with life insurance carriers with an appetite for writing large cases on Foreign Nationals. In most cases, that's going to be a BGA.

If an advisor is comfortable working with large cases, then the Foreign National market is well worth investigating. But, as every life producer knows, nothing is easy. And that's particularly true when the rewards are significant.

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