

INSURANCE SELLING

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SOLUTIONS FOR GROWTH-ORIENTED LIFE & HEALTH PRODUCERS

Danica Patrick
is one of our

25

Reasons to
LOVE
Life Insurance



THE
ADVISOR'S
TAX ACT
OPPORTUNITY

SPECIAL
NEEDS
PLANNING
STRATEGIES

LIFE RIDERS:
COMPARING
LTC TO CI



25 Reasons to LOVE Life Insurance!

*Why agents can (and should) take pride in
the nobility of their profession*



Sure, there are a lot more than 25 reasons to love life insurance, and there's plenty more that could be written about each one of the reasons that follow. Let's not pretend this is all-encompassing, but in honor of September once again being Life Insurance Awareness Month as sponsored by industry advocacy group Life Happens, it seems like a good time and place to trumpet some obvious and some not-so-obvious reasons why life insurance is great for America, and vitally important in protecting tens of millions of Americans.

Thanks to members of Insurance Forums for contributing several of the reasons and sharing their real-world experiences to add some context. Perhaps some of these reasons – listed in no particular order – might spark some ideas as to how you might be able to help some of your clients solve their own problems using that often-underappreciated Swiss Army knife of a product we call life insurance.

- Brian Anderson, Editor-in-Chief

REASON #1: The death benefit

Hard to argue that the thing people love most about life insurance is the death benefit – knowing the people they love – spouse, children or whoever the beneficiaries are – will receive the proceeds that can help them maintain their quality of life, tax free, and in a timely manner. Knowing it's there provides peace of mind – and is what a lot of people call “sleep insurance” – as in they sleep well at night knowing they have taken measures to protect their loved ones in the event of premature death. Here's an example provided by an agent that encapsulates that selfless peace of mind a death benefit can provide:

“I have been diagnosed and treated for cancer twice. Both times I thought I was going to die. I can tell you what did not go through my mind: Cash value; premium offset; dividends. The only thing that concerned me was the death benefit and would my family be OK? So all this stuff is great, but to me the No. 1 benefit is that when I was looking at crunch time... I took care of my loved ones. Everything else came in second.

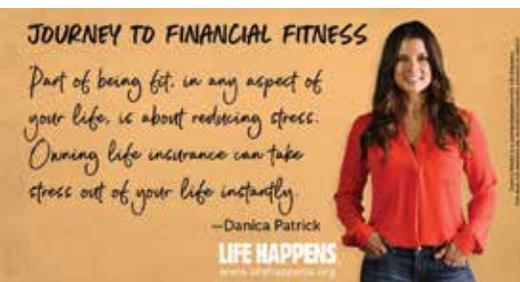
“Now I am 10 years cancer free and I get to look at all these other benefits. Everybody (me, too) loves the cash values, tax deferred growth and all that other stuff, but having a death benefit no matter what age you die to me is No. 1.”

- Jeff Kugler CLU, ChFC, Aventura, Fla.



REASON #2: More affordable than people think!

Consumers still lack an overall understanding regarding the cost of life insurance and who should own it. According to LIMRA's 2018 Insurance Barometer, consumers have overestimated the cost of life insurance for years – and especially younger generations. In fact, 44% of Millennials overestimate the cost at a staggering 5 times the actual amount according to the 2018 study. When asked how much a \$250,000 term life insurance policy would be for a healthy 30-year-old in the 2017 study, the median estimate was \$500 — more than three times the actual cost. This lack of understanding leads to insufficient coverage. Insurance agents should take every opportunity to educate clients and prospects on realistic costs of coverage – and if these studies are any indication, it will typically be a pleasant surprise for those in need.



REASON #3: LIAM Spokesperson Danica Patrick

For the third year in a row, Patrick, fresh off her retirement from competitive auto racing and hosting this year's ESPY Awards, is the official "Life Insurance Awareness Month" spokesperson. Here's what Life Happens President and CEO Marvin Feldman, CLU, ChFC, RFC, had to say about it:

"How do you motivate your prospects? By leveraging the star power of LIAM spokesperson Danica Patrick and her new 'Journey' video along with three years' worth of resources that feature Danica. You can also customize LIAM articles and social media to 'drip' information about LIAM and your company's plans to reach your prospects using the new Journey to Financial Fitness' theme to educate and motivate your prospects to action. And since compliance is always a concern, get the LIAM resources

customized to meet your company's compliance, branding and marketing standards. The Life Happens team will do this for Life Happens Pro users. Remember, you can use these materials through the end of the year. Have a great LIAM campaign."

REASON #4: Funerals are expensive

The top reason Americans give for owning life insurance is to cover burial and final expenses – cited by 85% according to LIMRA research. And it's a good reason – funerals are expensive and many people do not want to burden their surviving family members – already reeling from the loss of a loved one – with bills from funeral homes. The national median cost of an adult funeral with viewing and burial in 2017 was \$7,360, according to the National Funeral Directors Association. The median cost of a funeral with viewing and cremation was \$6,260. Final Expense insurance is built on helping people with low or fixed incomes cover this cost.

REASON #5: Joe Jordan and his life of significance

At the 2004 Main Platform of the MDRT Annual Meeting, life insurance industry legend Joe Jordan gave a rousing, angry, memorable speech that eventually led to his book, "Living a Life of Significance," and serves as a lesson for all life insurance agents about the importance of their profession.

In recalling his own family's story of hardship where his dad cashed in a \$100,000 life insurance policy and then died in a car accident days later, Jordan wondered where was the advocate for his family who could have made his father understand that he had to have life insurance?

Jordan told the MDRT audience:

"You have to understand what your sacred



trust is. You have to overcome your reluctance to make the call. It has to come from the heart to go out and find people like the elderly woman or my mother because you have to protect them... If someone is disrespectful of you or treats you like a used car salesman... do you know what you tell them? What I do for a living is I protect the innocent when someone dies prematurely. I provide a worry-free retirement that people can't outlive. I protect their assets when they get sick. I provide a legacy when they die. Because I live a life of significance."

REASON #6: Life insurance protects America

According to the ACLI 2017 Life Insurers Fact Book, 75 million American families depend on life insurers' products to protect their financial and retirement security. Payments from life insurers are a mainstay of financial security for residents in every state. To wit:

- Life insurers pay out \$1.7 billion on average to families and businesses every day.
- Americans purchased \$2.9 trillion of new life insurance coverage in 2016. By the end of 2016, total life insurance coverage in the U.S. was \$20.3 trillion.

REASON #7: Great tool for charitable giving

Life Insurance can enable a person to leave a lasting, valuable gift to a favorite cause or charity (by naming the charity as beneficiary or policy owner and beneficiary) that is much larger than they would otherwise set aside for donation. And it might provide a nice tax deduction to boot!

REASON #8: Taking care of business

There are dozens of reasons for business owners to purchase life insurance. The primary purpose is to keep the company running after the loss of an owner or key employee. Through buy/sell agreements and key person coverage, life insurance is an effective funding mechanism to ensure business continuity, protecting it from financial loss, liabilities or instability in the case of the death of a business owner/partner or a key employee. Without such protection, the sudden passing of an owner or key employee could quickly send it out of business.

REASON #9: Life insurance supports the U.S. economy

The life insurance industry plays a vital role in the nation's economy. For example:

- Life insurers are a major source of bond financing for American businesses, holding almost 22% of all U.S. corporate bonds, which is more than any other industry. Life insurers are a significant source of investment capital in each state, particularly through real estate loans. U.S. life insurers held \$454 billion in domestic mortgages in 2016.
- In 2016, 2.6 million U.S. jobs were directly supported by the life insurance industry.
- Life insurers are leading providers of retirement solutions, including 401(k)s, 403(b)s, 457s, IRAs, and annuities, managing 18% of all defined contribution plan assets and 14% of all IRA assets.
- More than 16% of Americans' long-term savings is in permanent life insurance and retirement annuities.
- Life insurers invest \$6.4 trillion in the U.S. economy — 95% of the industry's total assets.

Source: ACLI



REASON #10: It now can make a unique, crowd-funded baby gift

In July, a life insurance company partnered with a baby registry for the first time to create a crowd-funded way for expecting parents to take out a life insurance policy that can protect their growing family.

Prudential Financial, Inc., and Babylist, the fastest-growing baby registry in the United States, launched a new strategic relationship to create a term life insurance solution designed specifically for expecting parents, now available as an add-on to their baby registries.

Babylist conducted a national survey of nearly 5,000 expecting parents, and found

that 97% percent said life insurance is important and 61% plan to get insurance in the next year. Yet, planning to purchase often does not translate into ownership for the growing number of Millennials who are becoming parents, as only 18% of Millennials own individual life insurance.

"This strategic relationship between life insurance and a baby registry is a prime example of how we are engaging customers in new and unexpected ways," said Salene Hitchcock-Gear, president, Individual Life Insurance at Prudential.

After funds are gifted to the expecting parents, they will have the option to visit Prudential's website to apply for a term life insurance policy.



REASON #11: Tax benefits

Proper tax planning should minimize your taxes while you are alive and after you die. Permanent life insurance provides the potential to do both at once — you can transfer your assets income tax and estate tax free to beneficiaries, and also build up tax-deferred growth of cash inside the policy. No matter how big a death benefit is, beneficiaries won't pay any income tax on the money they get. And earnings that grow within a life insurance policy are one of the few items that will not increase the tax on your Social Security income. What other financial tool can do that?

REASON #12: Life insurance policies have helped create or save several treasured American institutions

As I wrote in a popular slideshow for LifeHealthPro back in 2012, if not for life insurance, Disneyland might have existed only in Walt's imagination. Stanford University might not have made it past the year 1900. The Great Depression might have shuttered the J.C. Penney chain. McDonald's might have only served a few hundred thousand.



And today's home chefs might not be getting pampered.

- After failing in the pursuit of traditional means of financing to build **Disneyland** in the mid-1950s, Walt Disney decided to provide his own financing — and a large part thanks to collaterally borrowing money from his cash value life insurance.
- To overcome constant cash-flow problems, **McDonald's** founder Ray Kroc borrowed money from two cash value life insurance policies to help cover the salaries of key employees. He also used some of the money to create an advertising campaign around emerging mascot Ronald McDonald.
- Following Leland Stanford's death in 1893, the financial support for the fledgling university bearing his name became uncertain, to the point where his widow Jane used her husband's life insurance policy proceeds to help fund operations and pay faculty, allowing **Stanford University** to weather a dangerous six-year period of financial distress.
- The stock market crash of 1929 and the ensuing Great Depression devastated the 1,400 **J.C. Penney** department stores across the country, as well as James Cash Penney's personal wealth. But he was able to borrow against his cash value life insurance policies to help the company meet its payroll and day-to-day expenses, allowing the company to stay afloat and eventually rebound.

- Using \$3,000 she borrowed from a life insurance policy to purchase some basic inventory, home economist Doris Christopher started **The Pampered Chef** in 1980. By 2002, the company had grown into a \$700 million operation that was acquired by Berkshire Hathaway for \$1.5 billion.

REASON #13: Life insurance is a problem-solver

“Life insurance is a solution to one or more problems. Most people don’t even realize the problems that they have that can be solved with life insurance. The skilled agent can help people determine their problems and priorities and then determine if they can be best solved through the strategic use of life insurance... or any other product. People don’t buy and keep life insurance policies (of any size) if they don’t see how those policies can help them with the problems that were identified.”

- David Kinder, ChFC, Riverside, Calif.



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REASON #14: Life insurers promoting better health among policyholders

Life insurers, obviously in no hurry for premium-paying policyholders to die, have in recent years introduced a number of different wellness programs designed to help policyholders get and stay healthy.

Whether it is discounts or perks for hitting activity goals tracked by Fitbits or Apple Watches, or participating in healthy eating programs sponsored by companies offering group life coverage, life insurers today are serious about helping policyholders extend their lifespans. A prime example is John Hancock’s Vitality program:

Through the first-of-its-kind John Hancock Vitality program, launched in 2015, customers can earn rewards and premium savings of up to 15% for the things they do to stay healthy, like exercising, walking and eating right. Rewards include \$600 in annual savings on healthy food purchases as well as gift cards and discounts on entertainment, travel and wellness-related purchases. In 2016, the company introduced customers to the opportunity to select an Apple Watch (for an initial \$25 fee) to record their activities and earn points that reduce or eliminate their monthly payments for their watch over a two-year period.

“We’re encouraged to see how John Hancock Vitality customers are making health and fitness a priority, living life to its fullest and taking advantage of the program to improve the quality of their lives,” said Tal Gilbert, CEO Vitality Group USA. “We know that active people are likely to live longer — it’s great to be able to help them do just that.”

REASON #15: Group life insurance

As of 2017, for the first time ever, more people own group life insurance than individual life insurance (34% vs. 32%), according to LIMRA. If it wasn’t for the availability of group life insurance, frequently offered as a voluntary employee benefit or offered through unions or professional associations, an even greater number of Americans would have no coverage at all. While the policies are typically intended to be supplemental to individual coverage, it is often the only coverage many people have, and therefore can fall under the “some coverage is better than no coverage” argument. According to ACLI, group insurance represented 46% of all life insurance policies in force in 2016, and at the end of 2016, group life insurance provided \$8.2 trillion of protection.

REASON #16: Paramedical exams going away

A byproduct of the InsurTech Revolution is that more and more, people can apply for term life coverage online, and the companies use streamlined automated underwriting processes that rely on AI and big data to generate accurate quotes instantly. Skipping the exam can cut weeks off of the time it takes to issue a policy, and removes a barrier that has been repeatedly identified as a reason many

consumers won’t apply for coverage. The past two years have already seen higher and higher face amounts of term life coverage being offered through automated underwriting.

REASON #17: Life insurance pays out quickly

Because life insurance doesn’t get tangled up in estate claims, it generally pays out quickly provided a claim is filed properly, typically within 30 days and sometimes just days after the claim is filed.



REASON #18: College funding

Permanent life insurance can be a very effective tool to help parents pay for their children’s college education, with some distinct advantages compared to 529 plans.

When you take the money out of a 529 to pay for college, there is no ability to replenish the tax-deferred, tax-free 529 bucket. It’s gone. That’s not the case with whole life, as Kerry Wallingford, CLU, ChFC, CCA, RICP, president at Wallingford Financial & College Planning in Seattle, once told Insurance Forums. “You have access to the capital with uninterrupted compounding while you can leverage it and use it for college, and then you have this bucket that has an ability to be refilled to use again for retirement, unlike the 529 plan,” Wallingford said.

“You’ve also guaranteed that if you’re client isn’t there to make the dreams of a higher education come true, the money necessary to make it happen will be created immediately,” Wallingford says, referring to the death benefit. “You can’t do that with a 529 plan... With the life insurance policy, not only do you have the cash you’ve built up that’s protected and safe and guaranteed, but you’ve also got this magnificent tool that makes the dreams happen when you’re not around to make sure they do.”

When it comes to a student’s financial aid eligibility, money in a 529 has to be declared

on the student's Free Application for Federal Student Aid (FAFSA) form, which can hurt their loan eligibility. Money in a cash value life insurance policy does not have to be declared on the FAFSA.

REASON #19: A "permission slip" to spend down your assets

If you have a permanent life policy, you know your beneficiaries – your kids, for example – will receive the death benefit once you die... An "instant inheritance," if you will.

"Having a permanent death benefit give you a "permission slip" to spend down your assets. A permanent death benefit gives you options you may never have considered."

- Jeff Kugler CLU, ChFC, Aventura, Fla.

REASON #20: Part of a sound financial plan

Life insurance is an important element of any sound financial plan, as in its many forms it helps protect you and your loved ones in different ways against the cost of death, disability, illness or accidents. It is considered a financial asset, which can increase your credit, help you to get a loan or health insurance. In case of bankruptcy, cash value policies cannot be touched by creditors.



REASON #21: Accelerated Benefit Riders

Using riders, life insurance benefits can become "living benefits," money you can access

before you die, or use to pay for long-term care, as two examples.

"One of my favorite reasons to 'love' life insurance is that policies can now come with living benefit riders, that a person may be able to use due to a chronic, critical, or terminal illness. Hopefully that doesn't happen, but knowing I could access my life insurance policy to help run my business or cover medical expenses is a nice feeling."

- Matt Schmidt, an agent in Wichita, Kan.

"I got a call that a client needed to surrender their policy. After speaking with them I find that the husband has terminal liver cancer and they were going into foreclosure. I explain the Accelerated Benefit Rider; they borrowed enough money

to hold off the foreclosure until the company sent them the \$100,000.

"Another client calls me to borrow some money from his policy. I find out his wife has inoperable brain cancer. She is terminal. He has used all of his vacation time as well as all the time his coworkers donated. He has to go back to work to pay the bills. He was going to borrow from the policy to pay the daughter to care for mom as she died. The daughter was going to quit her job but also has bills to pay. We sent him \$30,000. That kept them good until she died. Dying can be expensive."

- Lee Martinez, an agent in Central California



REASON #22: A historically proven product

The origins of the concept of life insurance as we know it can be traced all the way back to ancient Rome. Gaius

Marius, a Roman

military leader, created a burial club among his troops in approximately 100 B.C., where members pooled resources to pay for funeral expenses. Romans believed anyone who was improperly buried would become an unhappy ghost. Many similar clubs originated in this era, and later evolved to include a stipend to the survivors of the deceased.

While the concept died for centuries along with the fall of the Roman Empire, by 1759 the Presbyterian Synod of Philadelphia sponsored the first life insurance corporation in America for the benefit of Presbyterian ministers and their dependents. The first American life insurance policy on record was issued in 1761 to Rev. Francis Allison in Philadelphia. The premium was £6 per year.

REASON #23: Taking out loans from your life insurance has benefits

"Life insurance loans and payments are NOT reported to credit bureaus! This allows the 'debt' to be hidden and improve your debt-to-income ratios whenever you are applying for loans. This also helps should you be unemployed for a period of time that your life insurance loans and payments (or lack of payments) won't affect your ability to get your

next job. Also, unlike with qualified retirement plans, there are no limits to the number or the size of the loans you can take out against a life policy – unlike a 401(k) with a \$50,000 maximum-size loan regardless of your balance.

"If using life insurance loans in retirement as an income source, this cash flow is not only tax-free, but it doesn't affect your Social Security retirement benefits from taxation (taxable income limits haven't changed since 1993, but inflation certainly has. I believe more and more people will have their benefits included in their taxable income). In addition, cash flow from life insurance will not be included in Obamacare Medicare IRMAA limits. And your asset can continue to grow while you take out loans against it. Plus, to avoid a phantom income tax, many policies have overloan protection riders that keep the policy in force to prevent a large tax-bill."

-David Kinder, ChFC, Riverside, Calif.

REASON #24: Life insurance is flexible and versatile

Many people assume they can only use life insurance basic uses like paying off mortgages or funeral costs. But we know it can be highly versatile, customizable, and often perfect for solving a wide variety of problems presented by an unpredictable future. Has a term client's needs changed? Convert to perm! Want to protect against medical costs due to illness or accident, or plan for long-term care? There's a rider for that! Whether it is business succession planning, estate or legacy planning, charitable giving, or dozens of other issues, chances are life insurance can help.

REASON #25: Everybody dies eventually

"You are assured that you WILL use it... IF you have it!

- Life Hawk, as posted on Insurance Forums ♦

