Episode 19: New sales ideas to drive your business further

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John Grevas: Hello everyone and welcome to another episode of Momentum. I am your host as always, John Grevas, and in today's episode we are going to be talking about sales ideas.

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John Grevas: We all know that every client has different, unique needs and we are always looking for new ways to present the products and benefits that we offer. So we are pleased to share some of those with you today that you might not have used in the past. Hopefully one of these will resonate with one or more of the clients in your book. And for that conversation we are going to be joined by friend of the show, frequent guest, Ohio National's Vice President of Product Marketing, Karl Kreunen. Welcome to the show, Karl.

Karl Kreunen: Thanks John, glad to be here.

John Grevas: We, as always are very glad to have you. So let's start out talking about timing. Life doesn't really care about a limited pay product's payment period. It doesn't just always line up neatly with those time periods, so if a client needs to alter their payment period on one of these limited pay policies, maybe to match their retirement plans or the timing for when their kids start college, what options do they have with our products?

Karl Kreunen: So, as I hope, hopefully everybody knows on call, we have a 10 pay product, pay to 65 policy and a pay to 100 policy. And you could look at those base policies and say to yourself, "OK, so my client's 47 and they want to retire at 62 and none of that really works for them." And yeah, it doesn't necessarily, but it can pretty easily, right? So you have a client who has a need for a different duration than what we're offering. Not a problem.

You can simply take a look at the existing product. And let's just say, we'll go with what I threw out there before, 47 year old wants to retire at 62. That's 15 years down the road, so it's longer than the 10 pay, can't use that. It's shorter than the pay to 65. We could use that. And what we would need to do is figure out how to pay those last three years. If they're going to retire at 62, then they need to pay at age 63, 64 and 65.

And one of the things that I would like to do there, because whole life is a guaranteed product, is to be able to do that in a guaranteed way. And if you're going to do it in a guaranteed way, that means you have to surrender paid up adds rather than a loan against value, because if you loan against value, you create an interest drag on the policy and it could violate the guarantees at some point in the future if the loan rate is higher than the growth rate of the cash values.

So take our hypothetical client, and I'm going to use numbers with a lot of zeros at the end because it makes it really easy for me. Let's say they buy a pay to 65 policy or prestige Max, and let's say the premium is $10,000 a year. So what we're really saying is, OK, we have to, at that point in time, get that last $30,000 in for ages 63, 64, 65 prior to the time we need it, so $30,000. They're 47, they're going to 62. That's 15 years. That means they need an extra $2000 a year in order to know that we'll have that money to surrender in the future.

So we can take our PUA rider, our Level Pay PUA, and add it to the pay to 65 policy. You say, "Wait a minute, Karl. We can't just add PUA riders to limited pay policies. That could create a MEC."

Absolutely. So what we need to do then, is stick a little bit of Plus rider, a one year term rider, on top of that, in order to be able to create the space and the death benefit to put that extra $2000 in for 15 years in order to have the 10,000 a year for the final three years. So for our client, instead of buying, and I'm just going to make these numbers up, instead of buying say half a million dollars worth of death benefit, they may have to buy $600,000 worth of death benefit to create the extra room for the $2000. If something happens to them and they die in that first 15 year time period, the beneficiary is going to get an extra $100,000 along the way. That's not a bad thing for the beneficiary or for the customer.

And if they happen to live, then that extra $10,000 is gonna get surrendered out of the policy each and every year, so at age 65, there's no loan on the policy, and we have a half million dollars worth of death benefit sitting there on a guaranteed basis, on a go-forward basis.

And I can do that for any duration. If I had a client who, for instance, wanted to, well, let's make them older. Let's say that they're not 47, but let's say instead that they're 57. So I've got a pretty short time frame now. Well, I've got a 10 pay product that I can use at that point in time. And let's say they want to retire at age 66. I can make it a 9 pay. If they want to do it at 65, I can make it an 8 pay. If they want to do it at 64, I can make it a 7 pay doing the exact same thing. Add some PUA, add some plus rider to make some room underneath it, and you have a policy line-up that's really flexible enough to create all sorts of different payment structures for your customers, even though the base policy isn't necessarily set up for the duration they're looking for.

John Grevas: Well, I like that – you focused on this when you were talking there – but I like that that's based on guarantees. They're not just hoping for dividends to come along, and you know, help them meet their goals. They've got that certainty that they're going to be able to meet their goals. That's pretty powerful, that's pretty important in my opinion.

You mentioned the Plus rider in there. That's a rider that I think can add a good amount of flexibility to a policy, but what other doors can that open for up for clients?

Karl Kreunen: I think the Plus rider is an important rider for a couple of different reasons. One, we know that fewer and fewer people in the United States actually own individual life insurance anymore. And there's lots of reasons driving that particular issue that I'm not going to get into. But we also know that the coverage numbers are going down on the amount of death benefit per person, which doesn't necessarily make a lot of sense because, as we earn more money, we should be – and we are earning more money overall on a per individual basis – we should be buying larger face amounts, but we're really not doing the job to protect our clients as much as we could. In fact, LIMRA and ACLI, the American Council of Life Insurance and other industry organizations have banded together for a program called "Insure Your Life" where they're trying to encourage people to buy more life insurance.

And a lot of times, that means term life insurance as opposed to permanent. And the Plus rider is a one-year term rider that gets put on top of our base policies, our whole life base policies, and can provide coverage for the entire duration of the policy. It will last as long as the premium payment period. It can be dropped earlier if that's the desire. So if we had somebody who had a pay to 65 policy like P Max or a pay to 100 policy like Prestige Protector, and let's say they were 35 with a couple of little kids, and they really felt that they needed to have a lot of death benefit 'cause they were the primary wage earner and their spouse was a stay at home spouse for now, 'cause the kids are let's say two and four, and they're not in school yet. And so their spouse is staying at home. If something happens to me, that's a real problem. So I've got to go ahead and make sure I've got enough death benefit coverage to take care of that. We could set up the base plan to try to generate some level of income at some point in the future if we wanted to, but on top of everything else, we could throw on a Plus rider, and that plus rider could give the client a million, $2,000,000 worth of coverage, whatever they needed, on a fairly cheap basis.

You know one of the interesting things about it, is because it's a one-year term rider, you're getting the cheapest possible coverage you can get in life insurance the moment you buy it. If you hold it until age 100, it gets really, really expensive. But one-year term coverage, on the short end, is the least expensive insurance you can buy. On the long end, it's the most expensive, so it's great that it will drop automatically when the premium payment period ends.

So on a 10 pay it ends up for 10 years and drops, so no danger of it getting super expensive. Same with the pay to 65, it drops at age 65. The only risk is if you have it on the pay to 100 policy, you either want to have the client drop it themselves, or you can choose to try to pay it up with paid up additions riders along the way. But it gives you that flexibility and it's essentially a way to build term for any duration. We just talked about a short take pay for any duration, now I can talk about term for any duration. So my client's 35 and the client's kids are two and four, and they're like, "Well, I want to have it until the kids get into college, and then once they're in college, we'll be fine." So that means I need 16 years worth of term coverage. Well, we don't have a 16 year term policy. It's true, I could buy a 20 year term and just drop it after 16 years, or I could simply put this on top of my base policy, save myself a policy fee, and get some pretty cheap coverage all the way out to 16 years and then have it fall off the policy at that point in time.

The other thing I want to mention about the Plus rider is it is fully convertible to any of our permanent policies that we're selling at the time of conversion. So just like the Term Plus 10, 15 and 20 product, if my client at some point in the future says, "You know what? I really could use a little bit more permanent life insurance coverage because Ohio National's XYZ policy is the greatest thing since sliced bread," then they can go ahead and convert a portion of that or all of that remaining term death benefit into that permanent policy and have it be a permanent policy on a go-forward basis for them. So it gives them flexibility for protection, but it also gives them the ability to add to their permanent death benefit with quality products should they desire.

John Grevas: That could obviously be very helpful, but you mentioned in there a client who specifically needed protection. They had the young kids and everything. What about somebody who needs protection primarily, but they also need income?

Karl Kreunen: Well, there's a lot of ways to provide protection with income. Historically, what we would do – let me rephrase that – in recent history, what we would do, is we would buy the least amount of death benefit to provide as much cash flow out of the policy as we could. And I'm not saying that's a good idea, bad idea, in-between idea, that's just something that that we've seen a lot in the industry recently.

But in history, if you go back 20 years or more, or even with some of the sales ideas that are out there today, I think a protection policy can do a great job generating income because what it does is it gives you that permission slip, especially if it's paid up, to go ahead and spend other assets.

Most of us have money in various places, whether it's a 401K, an IRA, just some accounts that we have that we're using for investment purposes. My Bitcoin account in NerdWallet or whatever it is, I forget exactly where I have that, but… Coinbase, that's the one I was thinking of. So I've got my Bitcoin account my Etherium account, Coinbase and whatever it happens to be, right? But what can happen is if I have a low expense, low premium type of whole life product, like our P Max product, like our 10 Pay product, and it's paid up when I get to the point when I want to generate income, let's say I have a half million dollars worth of death benefit, I can go ahead and take a half million dollars out of my Coinbase Bitcoin account and convert that into cash, and then buy a SPIA with it.

Let that SPIA pay for the rest of my life, when I die, my beneficiaries, whether that's my spouse or my kids or some charity that's important to me or my dog if that's the way I want to run with it, I can do any of those things. That half million dollars passes to that beneficiary and they are not disinherited. In the meantime, I've generated the most income I possibly can for my life, and if I'm worried about inflation, I can throw a COLA on there. So there's all sorts of different things I can do.

This was years ago when LEAP was a big selling system, first the old Person A, Person B sales process, right? And so anybody out there who's practiced LEAP, you know Person A, Person B, and that's exactly what I'm talking about. It's been around for years and years and years and has been used successfully.

If you use, say, Cornerstones, which is a newer system, then that's the covered asset sale. And so if you use Cornerstones, you know exactly what I'm talking about here, but it's a very common way to do it. It's been used in the life insurance industry for years and it's a way to take a policy that's relatively inexpensive and low cost, not maximum funded, to pull income out of the policy, but to use that death benefit as the permission slip to spend other assets.

John Grevas: Great information and a great way to look at what these products are capable of, even when it's not specifically a benefit of the individual product.

Let's look at one last sales idea, or let's talk about one last sales idea, I should say. One type of client that our listeners love is business owners, and that's partially because of the number and the variety of different needs that they have that financial professionals can then help them meet. So what have you got for our business owner clients out there?

Karl Kreunen: Well, since we've been talking about products that are generally lower premium, lower expense type of products, that takes you towards that protection oriented sale for the business owner. And I would say that the first thing that comes to mind is buy-sell. And frankly, it's one of the most common types of sales out there. It’s either executive bonus or buy-sell are the two most common ones you see in business. And buy-sell is something that we play in pretty well as a company.

As an aside, not really the product, but the Advanced Planning team has a great business valuation tool that we've been using for the last couple of years to generate all sorts of sales opportunities for our agents. And if you haven't, if you work in the business marketplace, and you haven't talked to them about the business valuation tool, you should really give our Advanced Planning team a call, because that can really help. You know, most business owners don't know what the value of their business happens to be. And a lot of them don't want to pay for an accountant to go ahead and do a business valuation. This is a way to get them a valuation. I'm not going to say it's the most detailed valuation to get, but I think it does a really nice job and it's not going to cost an arm and a leg in order to get it done.

And then once you have that valuation, you've got something to talk to them about, right? And then you can ask the questions: Do you have a buy sell? Is it in writing and is it funded? So if you ask those three questions, you put yourself in a position to have a really easy conversation here. And you can move from there right into one of our short pay policies because how long does that buy-sell need to last? Until the business owner retires, right? So that that fits really well with the Prestige Max type of sale, because that runs to age 65, it's a low premium, low expense type of contract, and so it works great for a buy-sell.

And then on top of that, when you retire, the person who buys your business needs to find a way to go ahead and pay you for the value of your business. One of the things that can happen is that policy can be bonused out to you. If you and I are partners, for instance, and we do a cross purchase, you're going to have a policy on my life. I'm the older person here, and so when I retire, as part of the buyout, you can go ahead and bonus that policy to me. When it comes to me because I'm insured, we don't have any problem with the transfer for value rule that's going to screw up some things for us, so I get the policy it's going to have 350, 450, however much money in it, to take care of a chunk of the purchase price, and then the rest of it can be paid off over seven or eight years, which is pretty common for a business purchase anyway.

Or if you do an entity buy-sell, well, maybe there's five partners and so you don't have cross purchase, but you do an entity buy-sell. Same thing, you just have the entity bonus that policy out as part of the buyout for the customer, and then they've got the policy and they can go forward and it's theirs. And it's got however, $100,000 in there and that's part of the buyout deal, so it's a buy-sell that moves easily into a buyout, and that's one of the two most common sales in the business world.

John Grevas: Great info as always, Karl. We love having you on because you always bring great information that is useful to our listeners, just like you did today. So thank you again for joining us today.

Karl Kreunen: No, you're welcome. As always, I had a really good time.

John Grevas: Well, you're a product nerd, so of course you did.

That'll do it for this one, listeners. Thank you for joining us and we will see you in the next one.

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clients should be based on their specific situations and delivered by a qualified legal, tax, financial or insurance professional.

Products are issued by the Ohio National Life Insurance Company and Ohio National Life Assurance Corporation. Products, product features and rider availability vary by state. Guarantees are based on the claims paying ability of the issuer. Issuers are not licensed to conduct business in New York.

Financial professionals who are not yet contracted with Ohio National can get to know us better at joinohionational.com. Ohio National's home office is located in Cincinnati, OH.

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