

## Advanced Planning Sushi: 10 Life Insurance Sales Opportunities in Advanced Planning

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**Speaker 1:** Advanced Planning Sushi. Fresh and flavorful sales bites. Ten life insurance sales opportunities in advanced planning.

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**Speaker 1:** Welcome back to Advanced Planning Sushi. I'm your host, Sarah, and today in honor and support of Life Insurance Awareness Month, Advanced Planning's David Szeremet is here to discuss some timely ideas where life insurance and advanced planning intersect. David, thanks for coming back to the podcast.

**Speaker 2:** Sure, this is great, Sarah, and we're always excited to support Life Insurance Awareness Month.

**Speaker 1:** Yah, David, let me start off by giving our listeners a quick summary of Life Insurance Awareness Month or LIAM as we like to refer to it. Each September the non-profit Life Happens creates and organizes their life insurance awareness campaign and the life insurance industry really comes together in support to share the importance of life insurance. So, today we're here to support that effort by pointing out how and where life insurance applies to advanced markets and there are so many life insurance opportunities hiding in plain sight, in estate planning, business insurance planning, and other advanced markets.

**Speaker 2:** That's right, Sarah, and we find that in advanced markets sometimes the life insurance opportunities really are hiding in plain sight as we like to say, you know, there. I want to avoid having agents walking by planning opportunities and especially where life insurance fits. So, LIAM, you know every year, Life Insurance Awareness Month, is a great opportunity to just revisit, you know, talk about some basic blocking and tackling in advanced markets and share a few ideas. So, I love it.

**Speaker 1:** Alright, awesome, so let's just jump right into it then. And, David, I know you're a sucker for top ten lists.

**Speaker 2:** Sure, Sarah. I grew up listening to Casey Kasem and American Top 40 back in the seventies and eighties. So, I was always into, you know, what would be the number one song. Would it be Elton John? Would it be Captain and Tenille? We never knew until the end. So, I love a good top ten list.

**Speaker 1:** That's right. I do, too. Well, let's see what we can do then. Let's see if we can identify ten situations in advanced markets where life insurance might not be a super obvious solution. So, let's start with estate planning.

**Speaker 2:** That's a great place to start because estate planning really is, you know, kind of the DNA of advanced markets. It's typically the number one call we get is estate planning, you know, a variety of topics. So, I'm going to start off with two ideas. You know, we're going to have ten ideas total. I'll start off with two in the estate planning market. And the first one is what I would call is estate equalization for blended families. And we are seeing more and more cases where we have, you know, families with maybe it's a second marriage, a third marriage. Maybe it's a case where we have an older couple, what do we call those, silver marriages where they're marrying later in life, or they have kids from previous marriages, or you know kids from previous relationships. So, one of the areas where agents sometimes miss is they'll be describing a scenario to me where we have a later in life marriage with a blended family and they're asking me for estate planning solutions. And, you know, right there, right in front of us is the life insurance solution. So, talking about purchasing life insurance to help leave an inheritance. Maybe it's the kids from the first marriage. We don't want to leave them out of the picture. So, we purchase insurance on the parents which will then pay out to the kids from the first marriage because often they do want to support their surviving spouse, but they don't want to forget about their kids from the first marriage. So, life insurance to equalize, you know, estate inheritances for blended families to me is like that's a big one we are seeing more and more of those cases. The second estate planning idea I'll give you quickly is using life insurance for what I call basis management. And again, this might not always be an obvious idea, but it's becoming more and more important. What I'm talking about here is, you know, when somebody passes away, typically, the assets in their estate receive a stepped-up basis at death. And the basis for tax purposes becomes the value at the date of death, the fair market value at the time the person dies. Well, with more and more people using these multigenerational trusts where they are essentially removing assets from their estate. They are potentially missing out on the ability to get that stepped-up basis at death. So, where life insurance comes in is life insurance can be used in conjunction with one of these trusts and most of these trusts these days have a substitution or swap power in them. Some people in the industry refer to these as intentionally defective grantor trusts or IDGTs. And with the IDGT strategy life insurance typically will go hand in hand with it because the trust is used to swap assets in and out of the estate, you know, to try to figure out ok, which assets should we keep in the estate to get a stepped-up basis and which assets should we put in the trust to avoid estate taxes? And all along the way, if we have life insurance backing that up, we have the ability to swap the life insurance potentially in or out of the trust depending on what the client's tax picture is. It can get a little complicated, but at the end of the day life insurance with many of these grantor trust strategies really is a crucial step and advisors need to be aware of that in today's day and age with basis management being such an important issue. Life insurance takes front and center. If you are not sure about this topic, this is one where we say give us a call. We'll nerd out with you on it. We'll talk about it all day and we'll give you some great solutions.

**Speaker 1:** Alright. A topic that often goes hand in hand with estate planning is one of my favorites, charitable giving. Do you see any opportunities with life insurance in this market?

**Speaker 2:** Yes. Once again we find that a lot of people love talking about charitable giving. But, where we sometimes see a lack of follow-through is when these cases become overcomplicated. You know, I'll give you a quick example. I had a call last week where the first words out of the agent's mouth was charitable remainder unit trust or net income makeup charitable remainder unit trust, you know, these long acronyms, NIMCRUTs, crats and cruts, and private foundations and you name it. People love talking about those concepts. But, you know, when I backed up the conversation and said, you know, well what does the client really want to achieve? Well, they want to leave something to their church, let's say, or their university, but they also want a simple concept, and they want some tax efficiency. So, you know, charitable remainder trusts and NIMCRUTs and all that, those can be great. But, if somebody is just looking for something simple, where they can get some tax advantages and get some positive leveraging, you know, to really magnify the gift, well what about life insurance, you know?

**Speaker 1:** Right.

**Speaker 2:** The more advanced concepts have their time and their place. But my starting point would be with a simple life insurance strategy. Something as simple as purchasing a life insurance policy, gifting it to the charity, and that receives an income tax deduction for a charitable donation and then each year the client can be gifting a life insurance premium to the charity. And each year the client would receive a charitable deduction. So, something as simple as life insurance where, you know, depending on age and insurability we can turn pennies into dollars of charitable giving. So, again, we can get as advanced as people want, but I always say start with the easiest solution first, which would be something as simple as gifting a life insurance policy and, you know, it really can be a leveraged gift to that charity.

**Speaker 1:** Yes. We like to simplify.

**Speaker 2:** Yah, absolutely. I'm a simple person.

[Music begins]

**Speaker 1:** Me, too.

**Speaker 1:** Alright, let's go down the retirement planning rabbit hole for a few minutes.

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**Speaker 1:** So, traditionally life insurance and retirement planning didn't go together. But in recent years, the idea of using cash value life insurance as a retirement supplement has really gained momentum. What kind of opportunities can you tell us about here?

**Speaker 2:** Sure, and I agree with you one hundred percent, Sarah. This one of those areas where we're seeing more and more activity. You know, you have great planning software out there like Wealth Building Cornerstones. We have outfits like Ernst & Young putting out studies where they're extolling the virtues of permanent life insurance as part of a retirement strategy. You know, I never thought I would see the day when you see that sort of positive, you know, affirmation coming from Ernst & Young or some of these other outfits. But the bottom line here is using cash value life insurance as not only to supplement your retirement savings and, you know, create some tax diversification. But also, it can be used as an alternative to an overfunded retirement plan to diffuse the tax time bomb. What I'm talking about there is I've had these cases where people have had some very large IRAs, 401(k)s that were rolled over, you know we're talking multiple millions of dollars, and they are starting to stare at the prospect of required minimum distributions and really worried about their tax burdens later in life. You know, and as we age the RMD as a percentage of the account increases. So, the older you get, unfortunately, the larger the distribution may become which could trigger more and more income taxes. So, for a client who doesn't necessarily need all of that distribution for retirement, you know, the idea of possibly repositioning some of that account in the life insurance over time. That could make a lot of sense for them. You know, both at the, you know, the income tax side of the ledger and also on the estate planning side of the ledger to leave a lump sum income tax free legacy. You know my, I kind of rolled two ideas into one here, but really think about life insurance. Permanent cash value life insurance as part of a really solid retirement distribution planning strategy, but also secondly as a way to diffuse or at least lessen the potential income tax time bomb later in retirement.

**Speaker 1:** Awesome. Alright. So, another market that has been getting some much-needed attention in recent years is planning for individuals with special needs. What hidden life opportunities can you shed a light on here?

**Speaker 2:** Yah, I'm glad you brought this one up, Sarah, because, you know, planning for individuals with special needs is again a market that continues to grow. You know, by huge numbers. Yah and uh this is a good thing. We can do a lot of good work for folks who need help. We can help a lot of families. You know, these are the kinds of cases that can help save our industry from adverse tax consequences and, you know, potential attacks in Washington D.C.. So, planning for individuals with special needs is it's really a win, win, win for everybody involved. You know, us, clients, and, you know, the regulatory slash tax side of the ledger as well. So, I love, I love this market for so many reasons. But what I would say here is where a lot of insurance advisors sometimes miss out on an opportunity or they, you know, they walk right by a planning opportunity is the idea of, especially where you have a married couple, life insurance on both spouses. You know, not just one spouse, or the other spouse, or even second to die life insurance, but I am a big proponent of buying life insurance on both spouses because I am finding on the vast majority of cases I work on, both spouses are working and both spouses are also care givers of an individual. So, the old days of one spouse is a breadwinner and the other spouse is the caregiver. I just. I don't see many of those cases. What I see is dual incomes, dual caregivers. Which says to me both spouses are

crucial so both of them should be insured. So, I, this is just a call to action for insurance advisors out there to think about not insurance on one spouse or the other or second to die life insurance, but insuring both spouses, I would argue with individual contracts and, if possible, let's make those permanent insurance because this is a permanent need. This is not a temporary need.

**Speaker 1:** Definitely.

**Speaker 2:** Many individuals with special needs, it's a lifetime need for them and beyond the life of the caregiver and breadwinner. So, we often think about permanent insurance. But, you know, if Term insurance is what they can afford, if that is all they can do at that particular time, I'm down with that. Let's at least share convertible Term on both spouses.

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[Music ends]

**Speaker 1:** Alright. So, let's shift gears and focus on business insurance for a few minutes. Without question, one of the primary advantages of working with the business owners is the sheer number of planning and sales opportunities. So, give us a few primary opportunities for life insurance in this lucrative market.

**Speaker 2:** That's right. Ok. So, I could have done fifty ideas just with business owners. Sorry.

**Speaker 1:** I don't doubt it.

**Speaker 2:** We could have done American top one hundred here. But, uh, so far I have given you six ideas. So, I'm going to give you three with business owners. Ok.

**Speaker 1:** Alright.

**Speaker 2:** So, the first idea is how to overcome the number one objection to life insurance in business markets. So, the number one objection that insurance advisors will hear about business life insurance is that quote it's too expensive. Right. Talk to a business owner, you know, they like the idea of life insurance, but the words out of their mouth are well this is too expensive. Ok.

**Speaker 1:** Sure.

**Speaker 2:** So, one of my ideas here is split-dollar life insurance. If the advisors out there have not done a split-dollar case or they are not comfortable with it, give us a call. We'll educate you. But, just think of it in terms of split-dollar is nothing more than splitting or sharing a policy between a business owner and typically a key employee. So, the business pays the premiums on the policy. The employee owns the policy and

in the event of death, the business gets its money back through the split. And then the employee slash insureds personal beneficiary gets the rest in a lump sum income tax free. So, again split dollar for somebody who says to you this business concept with life insurance is too expensive. One of your best pivots is well, I can show you a concept where you can get your money back for your business. It's called split-dollar life insurance. So, that's my first, you know, hiding in plain sight for business owners. The next one is when it comes to key person insurance let's try to get past what the I call termite philosophy, which is, you know, when the many people think key person life insurance they immediately go to Term insurance. For whatever reason, you know, yes, Term insurance can be a starting point. I get it. That's great. But think of cash value permanent life insurance as a key person life insurance policy. It's owned by the business. It's controlled by the business. And if it has cash value a permanent life insurance on a business' balance sheet is a positive balance sheet item. And can potentially over time it accumulates that cash as a non-taxable source of capital for the business. So, they can build their own tax advantaged capital source over time in addition to having that crucial life insurance protection. So, again, let's not just think Term insurance for key person insurance. Let's get past the termite philosophy. And let's go to that permanent insurance.

**Speaker 1:** I love it.

**Speaker 2:** It's a conversation I have almost every day with the field. Then finally my third idea with business owners is, this again is another one where it kind of boggles my mind that I hear this question from agents, but many of them will say hey I talked to a business owner about a buy-sell agreement, they understand that they need a business succession plan, but their son or daughter is not active in the business, the key employee is probably not the best fit to buy it, you know, they don't have a competitor who wants to buy the business, so it's kind of a, you know, it's a situation where they don't have a buyer. They cannot identify a buyer and the agent says to me, you know, what ideas do have here, David? And it's, I always say well how about a DIY buy-sell, a do it yourself buy-sell and what I mean there is just buy life insurance. If you don't have a buyer for the business, and let's say your business is worth a million dollars well one option is do it yourself. Buy a one-million-dollar life insurance policy to protect your family, your spouse, and in the event of your death, there is a payment tax-free of one million dollars. You essentially built your own, you know, buy-sell succession plan using life insurance. And whatever your spouse or family gets for the business is gravy at that point. So, for somebody who can't identify a buyer or doesn't have one out there, don't forget, you can do it yourself. Just use life insurance.

**Speaker 1:** Alright, David, I've been keeping tally here and I've counted nine ideas. How about one more situation where you see a lack of awareness for a life insurance sale.

**Speaker 2:** Sure. And that's right we did promise top ten. Is that right?

**Speaker 1:** We did. We're almost there.

**Speaker 2:** I can't do. I'm not going to try to do my Casey Kasem where I say coming in at number one because these are in no particular order, you know, we grouped them by topic right, estate planning.

**Speaker 1:** That's right. Very true.

**Speaker 2:** So, for the tenth one, this is one where this is for later in the year, so I'd say this is a fourth quarter sales idea. What you can say to a business owner, we're going back to business owners here, is are you looking for a simple tax deduction late in the year? And what business owner isn't? They will always say sure. If you've got a tax deduction, I want to know about it. Well, I can show you a strategy where your business can take a tax deduction. It's very simple. It requires very little legal work or administration. It's called executive bonus. Where you would be bonusing a life insurance premium to a key employee for a life insurance policy. So, it's nothing more than, some people refer to these as a 162 plan, but it's just a bonus of a life insurance premium to a key person for the purchase of life insurance and as long as the bonus is reasonable in amount. Which I always say don't make the bonus higher than their salary, and you should be fine as long as the bonus is reasonable, then it is tax deductible to the business. So, again, for those businesses looking for some tax moves late in the year, they don't have time to get complicated. They want to keep it simple. Executive bonus. Don't walk by that sales opportunity.

**Speaker 1:** That was a nice way to top off the list, David, with a tax deduction opportunity, too. Nice work.

**Speaker 2:** Thank you. Hey, everybody is addicted to tax deductions. I get it.

**Speaker 1:** Sorry. Alright. Well, I think that wraps up our top ten list. So, as our listeners have come to know, we love to close out our podcast by sharing some supporting resources and marketing materials. But, David, I think we literally touched on the entire library of topics here today. So, today's resources may be one that is lessor known. We're just going to narrow it down to one piece. We like to call it our form of forms. It lists the major guides and marketing resources in each category of estate planning and business insurance that we have in the advanced planning library. So, it's form 2510 and it's listed as the Advanced Planning materials. You can download a PDF from our agent website or give the team a call and they'll shoot you copy.

**Speaker 2:** Yah, what I love about it, Sarah, is it is just one page front and back. But it has the last time I counted, we're over like a hundred different pieces. Right. So.

**Speaker 1:** We've got a lot.

**Speaker 2:** Most of these are approved for client use. So, I always tell agents. Get a copy of that form. It's just a front and back. And you can use it. It's like a checklist. So, ok, what pieces do I have? What should I order? What should I look at? So, I love it.

**Speaker 1:** I do, too. I think it is about to expand too if I'm not mistaken. We try to keep that up to date at least every six months. So, we're probably in for an update here soon. Well, David, thanks for shining a light on ten life insurance opportunities today and for helping us support Life Insurance Awareness Month.

**Speaker 2:** Sure. And Life Insurance Awareness Month also extends to advanced markets. So, you know, our goal today is to shine a light on some ideas. Let's go out and help people. Let's make some money.

**Speaker 1:** Absolutely. Well, and a big thank you for our audience for tuning into another episode Advanced Planning Sushi.

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**Speaker 1:** Until next time. Good selling.

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Our offices are located in Cincinnati, Ohio.

This podcast was produced in August of 2023 and is filed as D-952752.

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