



LOW LOAD
INSURANCE SERVICES, INC.™

Policy Matters



SPRING 2009

NEWS YOU CAN USE FROM THE EXPERTS AT LOW LOAD INSURANCE SERVICES

DID YOU KNOW?

- Term rates are increasing. Three major term writers recently increased rates for preferred underwriting classes. While the rates for standard classes changed only slightly, rates for preferred classes have increased 3% to 5%. Even term writers are increasing their reserves with higher premiums.
- LLIS posts current insurance company financial news on our website. Go to www.LLIS.com and click on "News You Can Use." You can read the latest on the companies you see in the news.
- Your clients may be able to convert their term policies into permanent insurance policies if their health has changed and it appears they need to continue coverage beyond the guaranteed period. It's simple: all that's needed is a conversion form (before the end of the conversion period), an illustration, and a check for the first premium. No underwriting is required.

Company term conversion rules vary widely, however. If your client has a 20-year term policy, don't assume the conversion period extends all 20 years. We can help you determine which term options your clients have available.
- Life settlements (selling policies in the secondary market) have come to a screeching halt. While it's still a good idea to consider this option, a person must be older and sicker than they were last year to make the policy attractive to buyers. In addition, the dried-up credit market has limited the money available to buyers, and underwriters who provide life expectancy (LE) calculations have extended the number of years insureds are predicted to live. A longer life expectancy is generally good news for your clients, but bad news if they want to sell their policies because they aren't worth what they once were. We'll keep you posted as things change.

This edition of *Policy Matters* focuses on life insurance in all its different forms. Advisors have long considered life insurance as important protection for their clients in case of unexpected or premature death. But recently it's become clear that life insurance protects much more than current income. Life insurance protects retirement savings in both the accumulation and distribution phases. It replaces assets spent paying for end of life or long term care needs. And life insurance gives your clients peace of mind.

Recent activity in the financial markets has spawned changes in plans and questions from advisors about how they can provide more value to their clients. We believe that life insurance is one of those traditional tools that needs a fresh approach. This edition of *Policy Matters* is designed to give you up-to-date suggestions for helping you protect your clients' futures.

Mark Maurer, President

LIFE INSURANCE AS A WEALTH TRANSFER TOOL

Some assets at death are more valuable than others:

- Assets that can be transferred without tax are more valuable than taxable ones;
- Assets that are guaranteed are more valuable than assets that are volatile;
- Assets that can be transferred effortlessly are more valuable than those subject to the costs and delays of probate or to the claims of creditors.

Life insurance provides a unique combination of tax and non-tax benefits.

Below is a list of valuable advantages and examples of how life insurance can deliver all these advantages when it comes to effective wealth transfer:

- **Leverage and Growth** – life insurance offers a competitive tax-advantaged return and can even be guaranteed (*See Case Study Corner*)
- **Predictable Value** – a death benefit can be guaranteed for when the insured dies
- **Death Benefit Liquidity** – the death benefit is paid in cash; no transfer costs, commissions, or management fees are subtracted before the death benefit is paid to the beneficiary(ies)
- **No Probate** – death benefits are paid directly to the beneficiary(ies) of the policy without the costs and delays of probate
- **Income Tax Free** – under IRC Sec. 101, policy death benefits are generally income tax free
- **Avoid Estate Taxes** – ownership of the policy may be structured so that death benefits will not be subject to federal estate taxes as part of the insured's taxable estate

Remember that neither LLIS nor its associates offer legal or tax advice. Please consult with your associated tax and legal advisors regarding your clients' individual situations.

FIXED UNIVERSAL LIFE INSURANCE AS AN ASSET CLASS: THE PERFECT FIT FOR A DIVERSIFIED FINANCIAL PORTFOLIO

As the economy continues to take a toll on clients' retirement savings, advisors are looking for new ways to provide them with financial security and flexibility. Diversification is still the way to go, but it may be lacking a vital piece. That piece is life insurance.

By spreading investments among asset classes, advisors help clients offset risk specific to individual stocks, businesses, or industries. Diversification helps avoid risk, but there is typically some loss of earnings due to volatility, inflation, taxes, and fees. Life insurance can help.

Your clients are in need of a solution that offers security for today and flexibility for tomorrow. Fixed universal life (UL) offers a death benefit that is generally income tax free, created to provide a cash benefit to a beneficiary. Premiums are not just another expense. If your clients think they will be further ahead by investing the premium dollars in another investment, they may want to think again. The IRR on the paid death benefit offers a competitive return when compared to other asset classes and adds stability and certainty to the portfolio. (See an example in Case Study Corner)

But wait ... there's more!

UL might also be an ideal vehicle to integrate into a diversified financial portfolio as an asset class, thanks to the death benefit and cash value accumulation. In addition to the protection provided with the payment of the first premium, the current crediting rate on the cash values rate of return may be higher than those offered by traditional fixed investment vehicles such as CDs, bonds, and money market accounts. Life insurance can be an additional asset class.

Along with the security in knowing that the policy will provide a death benefit significantly higher than the premiums paid, policy owners receive the living benefit of accessible cash value to help meet emergency needs. Plus there are guarantees built into the UL policy which lower risk when compared to other fixed investment vehicles. Life insurance can also offer:

- Low volatility because the policy is not tied to stock market performance
- Loan and withdrawal features allowing clients to access cash when they need it*
- Prepayments of the death benefit in certain policies that could pay for long term care costs*
- Premiums that can be paid from the earnings of other invested assets

*Not all products or all features are available in all states. For specific client details or a product for your state, please contact LLIS for a personal consultation.

CASE STUDY CORNER

An Unnecessary Policy, an Inexperienced Trustee, and the LLIS Answer

An advisor recently came to LLIS with a problem: What could his clients, both age 65, do with a \$1.5 million whole life survivorship policy they bought in 2001 and no longer needed? The policy was owned by an irrevocable life insurance trust (ILIT), so each year the couple had made a gift into the trust account and the trustee then paid the premium. Since they no longer needed the policy, they wanted to stop paying premiums.

Their first thought was to surrender the policy for its cash value. This would not benefit them personally, however, and the money would have to be managed by the trustee to be distributed to the trust beneficiaries at death. Holding investments inside a trust would require the trustee to file tax returns annually and possibly to pay income taxes and fees or commissions to invest the funds. Their trustee was their daughter and this was not her area of expertise.

In this case, LLIS suggested a survivorship guaranteed universal life policy as a way to stop premiums and get the daughter out of administrative tasks. The couple was in good health, so LLIS ran an illustration showing the single premium rollover of \$226,440, which guaranteed a death benefit of \$1,192,000 with no more premiums due.

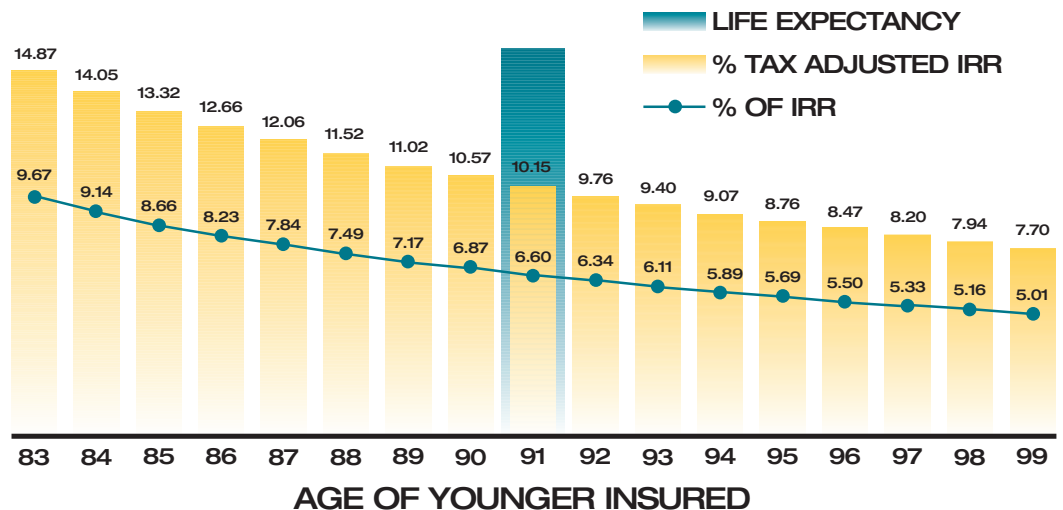
Using the Internal Rate of Return (IRR) calculation:

If the younger person dies at age 91, the IRR is 6.6%. To equal this return, they would need to have earned net after tax and expenses 6.6% compounded every year for 25 years or 10.15% before taxes. And this is guaranteed.

If the second person dies at age 95, the insurance guarantees a 5.69% IRR after tax and in the 35% tax bracket that is the same as an 8.76% pre-tax return, not counting filing expenses.

Only life insurance with a guaranteed death benefit provides a guaranteed income tax free IRR at death. Several insurers offer single premium guaranteed universal life and survivorship universal life policies. This solution provided a guaranteed death benefit with no more premiums and no administrative hassles for the trustee, the insured couple's daughter.

INTERNAL RATE OF RETURN ON DEATH BENEFIT



WEALTH STABILIZATION USING LIFE INSURANCE



Market volatility can wreak havoc with your clients' wealth transfer plans. Upon death, their heirs may need cash to pay estate settlement costs and taxes, or even to live on. Assets earmarked for sale may be worth substantially less, possibly resulting in the need to liquidate other assets originally intended for heirs. Here in Florida, the obvious example is the family beach condo.

If an estate has dropped in value because of a poor economy or down market, liquidating the assets will lock in the losses. It may make economic sense to plan an estate so that, even if a death occurs in a down market, assets will not have to be liquidated at depressed prices.

What is Wealth Stabilization?

Wealth stabilization is a combination of planning techniques, diversification strategies, and life insurance to help reduce the impact and volatility of a down market on a couple's wealth transfer plan.

Life Insurance as a Risk Management Tool

Market downturns, estate taxes, and an increasing number of heirs may reduce wealth transfers to future generations. Life insurance provides money for the financial needs that may arise at your clients' death. The death benefit from life insurance may not be subject to the volatility of the financial markets.

Life insurance can play an important role in wealth stabilization by:

- Providing an efficient reposition of assets
- Stabilizing the transfer of wealth to the next generation
- Minimizing the impact of estate and generation-skipping transfer taxes
- Helping to equalize an estate among multiple heirs

Who Should Consider Wealth Stabilization?

This strategy is ideal for clients who have:

- Shifted their focus from wealth accumulation to wealth transfer
- Substantial assets that are subject to the volatility of the financial and real estate markets
- Overweighted equity investment portfolios
- Low-yield assets like bonds and CD annuities, IRAs, qualified plans and trust income streams
- Need for life insurance death benefit protection

To learn more about this strategy for your clients, contact markmaurer@llis.com.



LLIS ANNOUNCES DATES FOR 2010 INSURANCE MARATHON – MARK YOUR CALENDARS!

LLIS 2010 Insurance Marathon

February 1-2, 2010

Renaissance Tampa Hotel International Plaza

This intense two-day insurance marathon will equip financial advisors with insurance information to enhance their planning practice and tools to educate their clients.

Registration opens soon, so stay tuned for details.

Presorted
First-Class Mail
PAID
US Postage
Tampa, FL
Permit 919

PRODUCTS AVAILABLE THROUGH LOW LOAD INSURANCE

**TERM LIFE INSURANCE
(NOT LOW-LOAD)**

American General
Banner
Columbus Life
Genworth
Hartford
John Hancock
Lincoln Benefit Life
Lincoln National Life
ING ReliaStar
SBLI
Protective Life
Prudential
Transamerica
West Coast
Western Reserve Life

**LOW-LOAD UNIVERSAL LIFE
(INDIVIDUAL)**

Columbus Life
ING Security Life
Pacific Life

**NO LAPSE GUARANTEED
UNIVERSAL LIFE
(INDIVIDUAL AND SURVIVORSHIP)**

Columbus Life (Low-Load)
ING Security Life
John Hancock
Lincoln Financial
Pacific Life
Principal
Genworth
Protective
Prudential

**LONG TERM CARE INSURANCE
(NOT LOW-LOAD)**

Berkshire (Guardian)
Genworth
John Hancock
Mass Mutual
MetLife

**DISABILITY INSURANCE
(NOT LOW-LOAD)**

Berkshire (Guardian)
Mass Mutual
MetLife
Principal Financial
Standard Life

LOW-LOAD VARIABLE ANNUITY

Ameritas Life
Monumental Life (AEGON Advisors)

IMMEDIATE AND FIXED ANNUITIES

Selected Quality Companies

LOW-LOAD VARIABLE UNIVERSAL LIFE

Ameritas Life
Columbus Life
ING Security Life
Pacific Life

***Not all products available in all states.**

The advisor's insurance advisor.
INSURANCE SERVICES, INC.
LOW LOAD



LOW LOAD
INSURANCE SERVICES, INC.™

The advisor's insurance advisor.

2907 W. Bay to Bay Blvd.
Suite 102
Tampa, FL 33629-1706
Toll Free: 877-254-4429
Local: 813-902-0002
Fax: 813-902-0007
www.llis.com



Securities offered through ProEquities, Inc. A Registered Broker-Dealer,
Member FINRA & SIPC.

Low Load Insurance Services, Inc. is independent of ProEquities, Inc.

For advisor use only – not to be used with the public.