



LOW LOAD

Insurance Services, Inc. SM

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News

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IRA and RMD? No... SPIA!

Your clients can avoid the Required Minimum Distribution; here's how!

As your financial planning practice has matured, the clients you had in the beginning years are now older and thinking of retiring. At first, the accumulation of wealth was the primary focus, then preserving wealth and the distribution of wealth was somewhere in the future.

But the future is now. As your clients start to retire, or as your younger clients *parents* start to retire, they may have qualified plans that are creeping up on the date for Required Minimum Distributions (RMD). The IRS published tables showing that the RMD must begin the later of the year the employee attains age 70.5 or when the employee retires. Your clients are required to recalculate the RMD each year based on the attained age and the value of the account. Failure to take out enough money results in a whopping 50%

penalty of the amount not distributed that should have been.

In many cases, your clients have small IRAs that you've ignored because taking time to calculate the RMD may not make economic sense for the fee that's required or you just don't want to think about it each year.

For these clients, consider a tax-free rollover to a Low Load Single Premium Immediate Annuity. It can guarantee your clients an income for life. They can add additional guarantees for a certain period of time or until the original contributions are paid out.

You can guarantee your clients an income stream and 86 the RMD ASAP!

For more information contact MarkMaurer@LLIS.com or call toll-free (877) 254-4429. ■

Eliminate Your Client's Estate Tax

A Guaranteed Income Annuity could eliminate their estate tax liability.

With the changing of the guard in Washington last November, political pundits predict that the repeal of the estate tax is even less likely than it was a year ago—and there wasn't a lot of hope then. The estate tax is a mean tax; instantly 45% of the first dollar of an estate over the annual threshold is collected as a tax. Think about that. An estate worth \$2.5 million in 2007 would have an estate tax bill of \$225,000. Most of your clients would not be happy if their heirs had to pay this amount if there are ways to avoid it. How would your clients like a guaranteed income that could also eliminate their estate tax liability?

A Life-Only Single Premium Immediate Annuity would do just that. You can allocate a certain portion of your client's assets, perhaps 10% to 20%, for the SPIA or fund an annuity that would cover their projected basic expenses such as utilities, food, and insurance premiums. The SPIA could be designed as a Joint

and Survivor plan, and because of the unlimited marital deduction, there is no tax at the first death. Because you'd use a Life-Only contract, payments cease at the second death, which means that there is no value at the second death and the original premium amount has been removed from the taxable estate.

This is ideal for any money in qualified plans that will soon be subject to the Required Minimum Distribution.

As an estate planning tool, use the income stream to purchase a life insurance policy. This policy can be placed inside an Irrevocable Life Insurance Trust and the income stream from the guaranteed income annuity can be used to pay the premiums. Now the SPIA and the life insurance are both outside your clients' estate and it's an ideal way to pass assets to heirs with a tax-favorable advantage.

For more information, contact MarkMaurer@LLIS.com. ■

From the President's Desk

Advisors want our opinion on Investor Owned Life Insurance (IOLI) or Stranger Owned Life Insurance (STOLI).

Several advisors have contacted LLIS recently to ask our opinion about Stranger Owned or Investor Owned or Speculator Initiated life insurance. Their clients have been approached about this scheme and advisors want to know if it's a good deal. Here is our opinion.

SOLI and IOLI arrangements are non-traditional financing and investment arrangements in the life insurance industry. A group of investors approaches your client and says, in effect, that they will loan the premium to your client if he will take out a life insurance policy with himself as the owner. There is a contract that says that after two years (the insurance contestable period) the investor group will pay off the loan and buy the life insurance policy from your client for a large amount of cash. What's wrong with this picture? Nothing. It is not illegal and it's hard to argue with the dollars for your client. The numbers we've seen are huge.

So why aren't we jumping on this bandwagon? Because we think it flies in the face of the LLIS philosophy regarding the fundamental uses of life insurance. Life insurance is still one of the only tax advantaged ways that a policy holder can replace income and protect a family in the case of an early death, pass assets on to heirs or fund estate tax liabilities. In addition, businesses can protect their profits by insuring key employees or funding buy-sell agreements. These are all fundamental uses of life insurance. Protection for those you love and for your business. Your clients look to you to help them find the best protection they can buy. We don't think SOLI or IOLI meet those requirements.

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Did You Know?

Information about insurance matters advisors should know.

1. Did you know that some insurance companies will treat an **occasional cigar smoker** as a non-smoker for premium class purposes? An applicant must smoke one cigar a week or less and not have any trace of cotinine in his lab specimen.
2. If your clients are at the end of their term conversion period and intend to let their term policy lapse because they no longer need the insurance and because the renewal premiums are astronomical, their policy **might qualify for sale on the secondary market**. And if they are in poor health, it's really worth looking into.
3. According to the American Association for Long Term Care Insurance, the value of LTC insurance benefit payments for 2006 was **\$3.3 billion**. 34% went for Home Care, 30% for Assisted-Living and 36% for Nursing Home Care.
4. Term quote engines on the web may be quick, but they are seldom accurate. Most don't ask health questions and most don't disclose underwriting qualifications. In addition, the lowest priced quote might be for a company with dubious financials. **Your clients need a human being** to work for them so request a quote at www.llis.com/forms/rquote.html or call one of the professionals at LLIS for a pre-underwriting interview.
5. It takes **two to four months to get a life insurance policy in-force**. There are several reasons for this slow-down: understaffed and inexperienced home offices, HIPPA rules, slow physician's offices and piles of paperwork.
6. A **65-year old husband and wife couple will need \$295,000** on average during their retirement years to pay for health insurance premiums and out-of-pocket medical expenses if they live until life expectancy, according to the Employee Benefit Research Institution. Do your clients have enough money? ■

Policy Reviews Are Planning Tools

If you're not an insurance expert and clients ask you to look over their old life insurance policies, we'll be glad to provide a complimentary review.

WHAT WE NEED. Because this process can be time consuming and we like to get reports back to you right away, please furnish the following information:

1. Preliminary Health and Family History Screening Form (available on the website at www.LLIS.com under Quote Request)
2. Advisor insurance planning recommendation regarding the amount of insurance your clients need and how long they need it.
3. Existing policy annual statements for the most recent year.
4. Insurance policy Specifications Pages, if available.

Providing these four items will enable us to provide you with basic information regarding the existing insurance coverage owned by your clients. But if you want a more detailed analysis of a policy's current and future costs, you would also need to provide:

5. In-force illustrations for permanent (whole life, variable life, universal life) insurance obtained from the home office. Since home offices will only send policy information to the policy **owner**, we have sample in-force illustration request letters that can be sent to you for your client's use.

WHAT YOU RECEIVE. After this information has been forwarded to our office, we'll provide a written Policy

Review. This will include a summary of the policy as it exists today and if applicable, changes that we believe could enhance that existing policy. Depending on the need for insurance that is disclosed in 1 and 2 above, we might recommend increasing the coverage through a 1035 of cash values into a new guaranteed premium product or we might recommend supplementing the existing coverage with term insurance. No recommendations are made without taking into account the health of the insured. The Policy Review is written to you as the advisor and can be shared with your clients.

For more information on the Policy Review Service offered by LLIS, contact JudithMaurer@LLIS.com. ■

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But is it a good deal? It's hard to argue with the numbers we've seen. Are there risks? Sure. Your clients need to be aware of the following:

1. The clients will have a large loan for two years.
2. What does the contract say if the investment group decides not to buy the policy after two years?
3. Is your client required to sell the policy after two years? Could they pay back the loan and keep the policy or sell the policy themselves on the secondary market?
4. Since these policies are usually large face amounts, what happens if your client legitimately needs more coverage, but they are already at the maximum amount underwriters will write on their life?

The low load companies and most of the other companies with whom we are contracted will not approve policies that are submitted for non-recourse premium financing arrangements, nor will Low Load Insurance Services enter into such arrangements. LLIS affirms its position as to the proper and traditional uses of life insurance. For more information, feel free to call me at (877) 254-4429 or email JudithMaurer@LLIS.com. ■

What Kind of Life Insurance is Right for Your Clients?*

	Term	Permanent
Length of coverage	Ceases at end of specified term period, typically five to 30 years	Continues until age 100 or beyond as long as premiums are paid
Premiums	Lower than permanent insurance premiums when initially purchased, but increase with age	Initially higher than term insurance premiums, but are often level for life
Cash Surrender Value	None	Accumulates cash surrender value or loan value on a tax-deferred basis
Key Advantage	Typically offers the highest death benefit for the lowest cost	Offers lifelong protection and tax-deferred savings
Key Disadvantage	Any number of factors such as age or health status may make it too expensive to continue coverage after the “term” expires	Initially larger premiums may make it difficult to buy amount of protection needed

*Source: *realLifestories*, published as a service of the Life and Health Insurance Foundation for Education, a non-profit organization dedicated to helping consumers make smart insurance decisions to safeguard their families' financial futures.

Nothing is More Constant Than Change

Financial advisors should know about these changes in the insurance industry and at Low Load Insurance Services.

- ▶ **ANOTHER INSURANCE COMPANY CHANGES ITS NAME.** Remember the life insurance company called First Colony? As of January 1, 2007, First Colony Life and Federal Home Life have been merged into **Genworth** branded companies. They are now called Genworth Life and Annuity Insurance Company. So when you see the name Genworth on your term quote requests it is **not** a new term carrier, it is just the new name for First Colony. The New York term company called American Mayflower Life is now called Genworth Life Insurance Company of New York.
- ▶ **ONE RATING SYSTEM REPLACED BY ANOTHER.** Low Load Insurance Services requires term companies we quote to have at least an A+ or higher rating from AM Best and at

least an 85 Comdex score which is a combination of all the rating systems. Some advisors have asked why they can't find a "Weiss Rating" in the Comdex score; that's because there is **no longer is a Weiss rating**. TheStreet.com that rates stocks, mutual funds, insurance and banks purchased Weiss and merged it into their other systems.

- ▶ **LLIS CONTINUES TO GROW.** Names that are new to you now will soon become familiar. Please welcome **Sally Rotoli** as a **New Business Case Manager**. Sally, along with Kathy Copack, Jill McNeil and Claudette Lansrud, will be assisted by two **New Business Assistants, Sam Kohler and Carol Sinclair**. You may remember Sam from the summer he worked here between college semesters.

- ▶ **NEW COMPANY INTRODUCES A LOW LOAD PRODUCT.** 100 year-old **Columbus Life Insurance Company** joined the family of companies offering Low Load life insurance policies. Their *Explorer II Advisor Universal Life* is a flexible premium policy offering enhanced early cash values and strong long-term accumulation. The policy can pay a lump sum **advance against the Death Benefit if the insured is confined in a nursing home**. This Accelerated Death Benefit Plus Rider is attached to the policy at no extra cost. Columbus Life Insurance Company is rated A++ by A.M. Best and has a 98 Comdex score. ■

For more information:



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www.llis.com

*Securities offered through
ProEquities, Inc. A Registered
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***We're the advisor's
insurance advisor.***



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WITH THE PUBLIC**

**Low Load
Universal Life**
(Individual)
Ameritas Life
Columbus Life
ING Security Life
of Denver

**Low Load
Survivorship
Universal Life**
Ameritas Life
ING Security Life
of Denver

**Low Load Variable
Universal Life**
Ameritas Life
ING Security Life
of Denver

***Not all products
approved in all
states.**

Product List*

Annuities
Deferred & Immediate
Annuities
from Selected Carriers

**No Load Variable
Annuities**
Ameritas Life
Integrity Life

**Long Term Care
Insurance**
(Not Low Load)
Berkshire Life
John Hancock Life
MetLife
Genworth Life
UNUM

**Disability Income
Insurance**
(Not Low Load)
Principal Financial Life
Berkshire Life
MetLife
Standard Life

Term Life Insurance
(Not Low Load)
American General Life
Banner Life
Columbus Life
Genworth Life
John Hancock Life
Lincoln Benefit Life
Lincoln National Life
ING ReliaStar Life
West Coast Life
Prudential
Transamerica
U.S. Financial

**No Lapse
Guaranteed
Universal Life**
American General Life
Columbus Life *(Low Load)*
ING Security Life of
Denver *(Low Load)*
Jefferson Pilot Life
John Hancock Life
Pacific Life
Principal Life
Genworth Life
Protective Life