LOW LOAD Insurance Services, Inc. News
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Increasing DI Benefits for Your High Income Clients

We're often asked how we can help your high-income clients get more disability coverage when they've reached the maximums on their existing or new policies.

Several Disability Income insurance carriers have recently introduced policies that will help your clients continue their retirement savings contributions in the event of a disability. These new retirement benefit products can be attached to a new Disability Income policy or bought as a stand-alone policy to complement existing coverage.*

How do these plans work? For an individually owned policy, once an insured is on disability claim, benefits are paid tax-free into an irrevocable trust managed by a trustee – normally an insurance carrier selected trustee. The insured is given a choice of investments. Since investment earnings are taxable each year, the benefits are generally tax-free when distributed. The benefits can't paid to the insured and they can't be accessed until the pre-determined time, generally at retirement age 65, death or financial hardship.

Most policies have a minimum monthly benefit (the carriers we represent have a $1,000 monthly floor) and the client must have a salary that correlates to that level of income deferral – approximately $80,000 and higher. For those clients who have maxed out their group and individual disability benefits, these plans can offer retirement deferrals from

$12,000 per year up to the maximum federal defined contribution plan limit of $42,000 for 2005.

If you have clients who may be interested in these maximum benefits, please contact Mark Maurer at LLIS for further information. ◆

** Not available in all states or for all occupation classes.*

Did You Know ...

...that LLIS will send you a detailed financial report on any insurance company upon request?

...if you send out a client newsletter, you're welcome to copy any of our insurance news articles without attribution?

...that you can send us your clients' old policies for a review and opinion at **no** cost?

...that our phone or website quote request turn-around time back to you or your client is 24 hours or less?

...that you get annual reports for all of your client's permanent insurance policies?

...that our phones are answered by real people who can direct your call?

...that our staff of 8 includes 3 case design specialists (Life, DI, LTC), 3 new business case managers, 1 in-force business case manager and one communications coordinator?

...that LLIS will help your older clients sell policies they no longer need with Life Settlements?

...that Universal Life policies can be structured two ways: Either to accumulate cash values or to pay minimum premiums to guarantee the death benefit for life?

...that our pre-underwriting process helps your clients receive the lowest term rates for which they can qualify? ◆

CASE STUDY CORNER

A New Use for an Old Policy

This case study is written with permission of the advisor and her clients, but due to the very personal nature of the situation they have asked that we not use their real names.

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An advisor's client came to her with a situation regarding the client's father. The father (now age 80, whom we'll call Joe) had been in the life insurance business for 50+ years and everyone in the family thought he had everything in place for retirement for himself and his wife, Molly, age 75.

Unfortunately, Joe is now in the advanced stages of Alzheimer's and the family has become painfully aware of some bad decisions Joe made during the last 3-4 years. Joe's son asked his advisor to look over his father's financial situation.

The advisor discovered that Joe had made some disastrous investment decisions, buying stocks like Enron and WorldCom so his initial $1MM retirement portfolio had been reduced to less than $300,000. Now they were facing additional expenses for Joe's care and providing income for Molly who is younger and in excellent health.

Joe also has two Universal Life insurance policies. One is a $100,000 policy that he purchased when he was age 50. He had paid premiums until it projected he could vanish the premiums and the coverage would last to age 100. But as we all know, interest rates and projections are not what they used to be. The advisor obtained an in-force illustration which showed that the policy has $14,146 of cash values, but in order to keep the policy in-force Joe would need to start paying $2,500 per year.

Joe has a second policy that was converted from a $250,000 term policy. Ten years ago (at age 70) Joe had colon cancer. So before his term policy reached the end of the guaranteed period (5 years later at age 75) he chose to convert it to a UL policy with a premium of $10,410 per year. Since this policy is relatively new, there are still surrender charges. It has $12,510 of "accumulation values" but if they surrender it they would only get $825.

The family was in a quandary. They either needed more savings or they needed some insurance to replace the funds that would be depleted by the extra expenses of taking care of Joe. Keeping both polices would mean more expense and surrendering them meant they would get very little back.

What to do? The advisor brought the problem to LLIS to see if there was anything we could suggest concerning the insurance policies. We felt this was a perfect situation to consider for a **Life Settlement**.

A Life Settlement is a financial planning tool that can unlock a dormant asset for a client. A life settlement is the sale of a life insurance policy issued on the life of a person who does not have a catastrophic or life-threatening illness. The life settlement amount is always for an amount greater than the current cash surrender value. There are no out-of-pocket expenses to the client.

LLIS recommended that the family consider having Joe sell the $250,000 policy with the belief that they could receive considerably more than they would receive if they simply surrendered it to the insurance company. Joe was well over the minimum age of 65. His health had changed considerably since he has purchased the policies. There was little cash surrender value, no policy loans, and it was a permanent UL policy. In fact, he scored a 75 on the Life Settlement Qualifying Worksheet where a score of 51 is needed to consider this option.

We received a Life Settlement offer of $30,000 for the $100,000 policy and an offer of $101,000 for the $250,000 policy that would only have been worth $825 if they had surrendered the policy. The family has decided to use the settlement amount from the larger policy to keep the $100,000 policy in force.

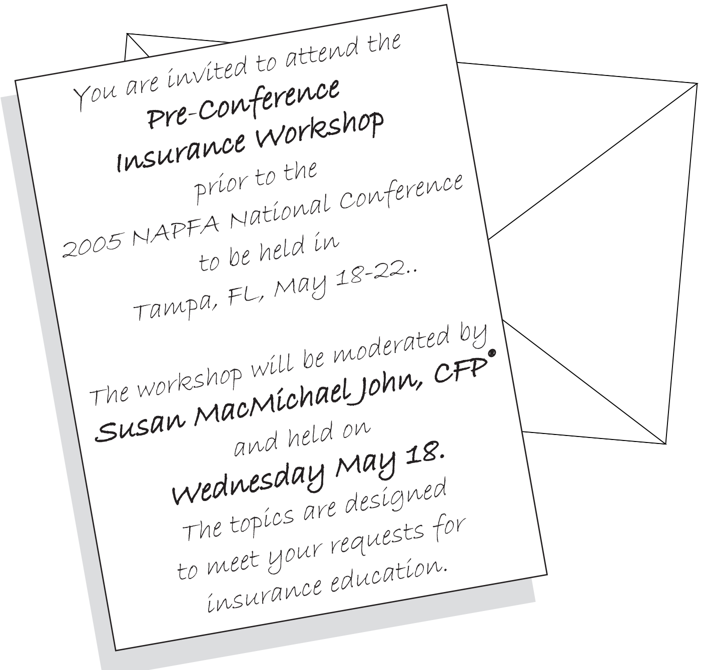
They did this by buying a $101,000 lifetime guaranteed income annuity for Molly. This guaranteed her an income of $815 monthly for her life and she will use $215 of that to pay the monthly premium on Joe's policy until his death.

Life Settlements are a new offering from Low Load Insurance Services. To find out more about Life Settlements or if you may have a candidate and would like a copy of the Qualification Worksheet please contact JudithMaurer@LLIS.com. ◆

Facts and Figures: The Latest on Disability Claims

For the fourth consecutive year, **cancer** is the leading cause of long-term absence from work (more than 90 days) for working-age Americans according to claims submitted during 2004 to UnumProvident. Here are the top five causes of claims for long and short-term disability:

Long-Term	Short-Term
Cancer	Pregnancy
Complications of pregnancy	Injuries (not including back)
Joint/muscle/connective tissue diseases	Digestive/intestinal diseases
Back injuries	Back injuries
Cardiovascular disease	Reproductive/urinary system diseases



Morning Session: 9:00 to 12:30	**Afternoon Session: 1:30 to 5:00**
Calculating Clients' Life Insurance Needs	Long Term Care Funding Strategies
Health and Financial Underwriting Considerations	The Resurgence of Variable Life Insurance
New Generation Life Insurance Products	Case Studies: Product Selection to Manage Client Risk
Calculating Disability Insurance Needs	

To register, go to the NAPFA website www.napfa.org and click on conferences.

Insurance Gaps

25%

of working Americans who bought a house in the past 18 months have no life insurance.

32%

of workers who had a baby in the past 18 months have no life insurance.

40%

of working Americans aren't quite sure whether they have enough life insurance or know they don't

63%

of women who work are extremely concerned about the affect of premature death on family finances

70%

of widows say that the death of their spouse had a "major" or "devastating" financial impact

Source: MetLife, New York

Key Person Valuation Used to Determine Insurance Amount

If you advise small businesses, you realize that your clients have put maximum effort into establishing and running their businesses and that certain key people are often the most valuable assets. But can the business survive the death of an owner or that key employee?

Key people are those whose special abilities, talents, knowledge or relationships are responsible for a disproportionate share of the revenues or profits. They are critical to the operation of the business because they provide an extra element that helps maximize profits and minimize losses.

Just like other valuable assets, businesses need to be protected from the loss of that person should he/she die unexpectedly. To protect themselves from this potential loss, many advisors recommend that their clients purchase life insurance on the key person. Before doing this, the advisor must assist the business with determining how much the key person's death would cost in lost profits and increased expenses. This formula provides a starting point for the calculations.

Lost Profits		
Profits from Key Person's Efforts	$0	
Years to Fully Replace Key Person	x 3 Years	
Total Lost Profits Over 3 Years		$0
Increased Expenses		
Compensation Differential	$0	
Plus Recruiting & Advertising Expenses	0	
Plus Training Expenses	0	
Plus Increased Interest Costs on New Loans	0	
Plus Other Expenses	0	
Adding Lost Profits and Increased Expenses equals Key Person Value		$0

Interest rates on loans or lines of credit may increase following the loss of a key employee if the lender foresees increased credit risk. Include an estimate of the total amount of increased interest over the life of the loan for the same time period used when estimating the compensation differential. Total lost profits reflect the profits from key person's efforts depreciated over 3 years.

At the death of the insured, the business can use the income tax-free life insurance proceeds to find a successor and to replace the revenue lost by the untimely death of a key person.* As an advisor, you can work with your clients to estimate the appropriate amount of life insurance needed within the business budget. ◆

* *For a C corporation, the life insurance proceeds may be subject to the corporate alternative minimum tax.*

For more information:

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Registered Representative.
Securities offered through
Legend Equities Corp.
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We're the advisor's insurance advisor.

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Product List*

Low Load Universal Life
(Individual)
Ameritas 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.

Annuities
Deferred & Immediate Annuities from Selected Carriers

No Load Variable Annuity
Ameritas Life
Integrity Life

Long Term Care Insurance
(Not Low Load)
John Hancock Life
GE Capital Assurance
UNUM

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

Term Life Insurance
(Not Low Load)
American General Life
Banner Life
Empire General
First Colony Life
John Hancock Life
Lincoln Benefit Life
ING ReliaStar Life
West Coast Life
Prudential
Transamerica

NEW UL with No Lapse Guarantees:
American General Life
ING Security Life of Denver *(Low Load)*
John Hancock Life
Pacific Life
Principal Life

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