Monthly Benefit Term Life

George Kozol

By George B. Kozol, J.D., LL.M, CLU

Why is it that many individuals who should acquire life insurance, who are of a mindset to acquire life insurance and who can afford to acquire life insurance, don't do so?

Could it be that some of these individuals simply cannot relate to a lump sum benefit? After all, we spend 95% of our business and financial lives pursuing ongoing revenue in the form of salaries and bonuses so that we can meet ongoing financial obligations—pay the mortgage, support and educate our children and support a spouse (sometimes an ex-spouse, too).

Some individuals who might want to provide ongoing financial support for loved ones simply cannot fathom the lump sum equivalent of the support. The client who responds to your insurance proposal with the comment, *I'd be worth more dead than alive, or I don't want to leave my spouse rich,* may be thinking that such a significant lump sum would be too tempting or the money would be squandered. Other clients might be afraid that the lump sum benefits would be co-mingled with other funds, so that should divorce occur (should the surviving spouse remarry) or should a son or daughter marry and divorce, some of the insurance proceeds would end up in the hands of the ex-spouse or ex-son or ex-daughter-in-law.

Sure, you can talk with your clients about trust arrangements. Do you wonder if most clients react to the word "trust" by thinking about people who they "trust" vs. those who they do not "trust"? Are most clients—other than those who face significant estate tax exposures and who are of an age to be concerned about such exposures—comfortable talking about trusts? Do their eyes glaze over when you start to explain the nature of a trust arrangement, the duties of the trustee, or the beneficiary's rights to income and principal? What reaction do you get when you suggest to the client that he or she make an appointment with an attorney to set up an insurance trust?

Keep in mind that some clients, those who have been involved with personal injury or commercial litigation, have less than fond memories of their last encounters with lawyers. The same can be said for most clients who have gone through a divorce. In many situations, this requires you to do too much explaining and too much talking. Of course, a few clients have had experience with trusts as grantors or beneficiaries. They can handle the conversation.

Experienced insurance advisors know that it is possible for a policyowner to require that the lump sum insurance benefit be paid to the beneficiaries in the form of periodic payments. This route requires extra paperwork on the part of the client. Is the client comfortable with this approach, when the application process requires that he or she select a lump sum amount and the quotes or illustrations show the client lump sum benefits? Then, if the client goes forward he or she receives a policy that shows a lump sum on the specifications page.

How would you like to quote and present life insurance proposals that track precisely your clients' needs for ongoing support in terms of duration and amount? The client could match the coverage and amount to the (a) duration of his or her home mortgage; (b) period of time remaining until his or her youngest child enters high school (stay-at-home parent); (c) year when his or her youngest child graduates from college or (d) year when the spouse can collect his or her pension or social security, without reduction (post-retirement cash flow planning).

This type of product allows you to spend more time listening to the client's needs and less time explaining complicated estate planning mechanisms. With this product, the client participates in the design of a life insurance program that he or she understands and that meets his or her needs. FA

George B. Kozol, JD, LLM, CLU, is senior vice president, marketing for Security Mutual Life of New York. He directs the development of insurance products, marketing materials, and illustration software responsive to the demands of the estate, business, and retirement planning markets. He also implements agent continuing education programs. George can be reached at GKozol@smlny.com.