



Is Your Family Protected?

Title presentations.

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The Need for Responsible Planning

What If You Were to Die Today?

Many individuals recognize the benefits of planning for the future. Such efforts often uncover problems and frequently provide the opportunity to address them. In fact, the issues involved are positive and enjoyable.

However, planning for the future is not always pleasant. A key part of risk management is analyzing the consequences of an untimely death. Comparing for an untimely death, it addresses the need to keep one's family secure.

Understandably, no one wants to think about death. Death seems a distant, abstract concept. However, a part of planning can result in expensive, unintended, even tragic consequences.

BRT offers a variety of reports to help educate clients, open the door for discussion and uncover un-met needs. Use BRT reports in every stage of the sales cycle, including prospecting, first appointment, analysis, recommendation and more.

Survivor Benefit Needs

The ultimate purpose of survivor benefit planning is twofold: (1) to ensure that the ongoing income needs of the survivor(s) are met, and (2) to provide for immediate lump-sum cash needs.

- **Income needs:** How much income will the survivors need, now and in the future, to cover the following:
 - **Household living expenses:** Will the family stay in the same house? Can they afford to? Do they want to? Will they have the option?
 - **Additional childcare:** Will there be a need for more help with young children?
 - **Educational expenses:** Will there be enough money for the children to go to college?
- **Lump-sum needs:** How much will the survivors need immediately and in cash? Consider the following:
 - **Final expenses:** More than the funeral, this includes unpaid medical bills, which, after a long illness, can be substantial.
 - **Estate settlement costs:** Probate expenses, attorney's fees, death taxes, etc.
 - **Mortgage payoff and debt reduction:** Will it be important to provide a paid-off house? Are there debts that should be retired?

One Final Question

If you died today, would your plan be ready?

Goals

Reviewing your goals is an important step in making sure the action plan is on the right course. Listed below are the items that you said were important to you.

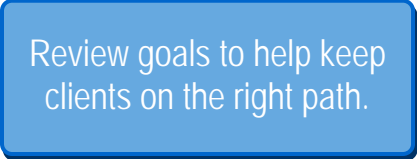
Goals to Be Accomplished

1. To provide for the family in the event of death

2. Provide the children with an education

3. Retire by age 65

4. International travel during retirement



Review goals to help keep clients on the right path.

Social Security Break-Even

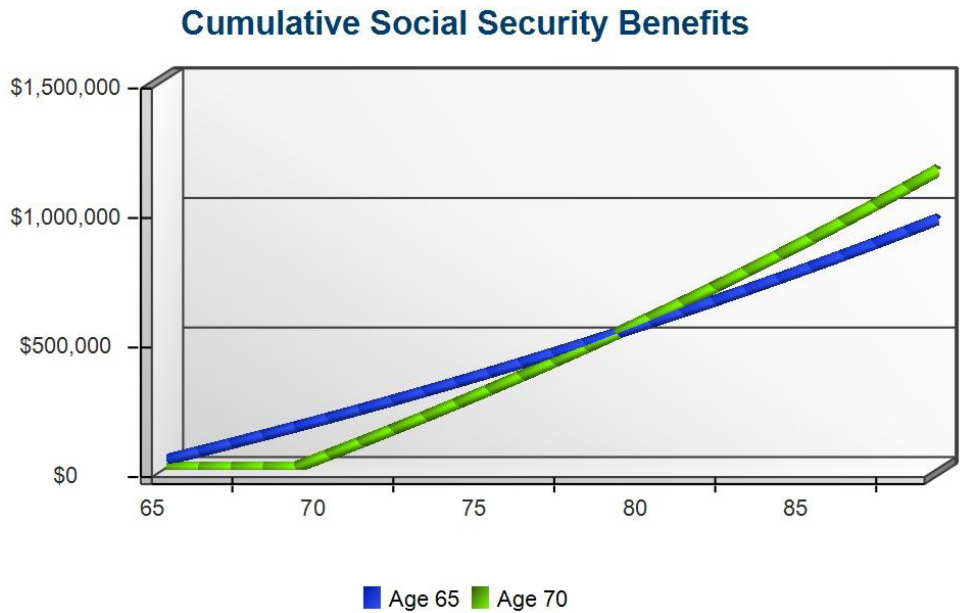
Assumptions:

Analysis date: 4/14/2010
Date of birth: 1/1/1969
Mortality: 90
Social Security benefit rate of inflation: 2.00%

Illustrate concepts to clients using relevant numbers.

Starting at Age	Initial Annual Benefit	Total Benefit
65	\$29,982	\$960,329
70	\$47,362	\$1,150,770

At age 80 the cumulative benefits received starting at age 70 has surpassed the cumulative benefits starting at age 65.



Survivor Needs Today and in the Future

In the event of Paul's death

Areas of Need

There are two areas of needs that arise in the event of a death: Immediate cash needs, and income to support Sally and the children

Illustrate client needs and present a solution...all on one page!

Immediate Needs

This generally includes funds that are required immediately to establish an emergency reserve fund, pay for final expenses, and repay outstanding debts.

You would like to provide for the education of the children.

The total amount required for these needs is \$553,978.

You currently have assets and life insurance in the amount of \$959,500.

Income Needs

Income needs change over time. This analysis assumes that income needs will be:

\$11,400 or 90.00% of today's total income until the children reach age 18.

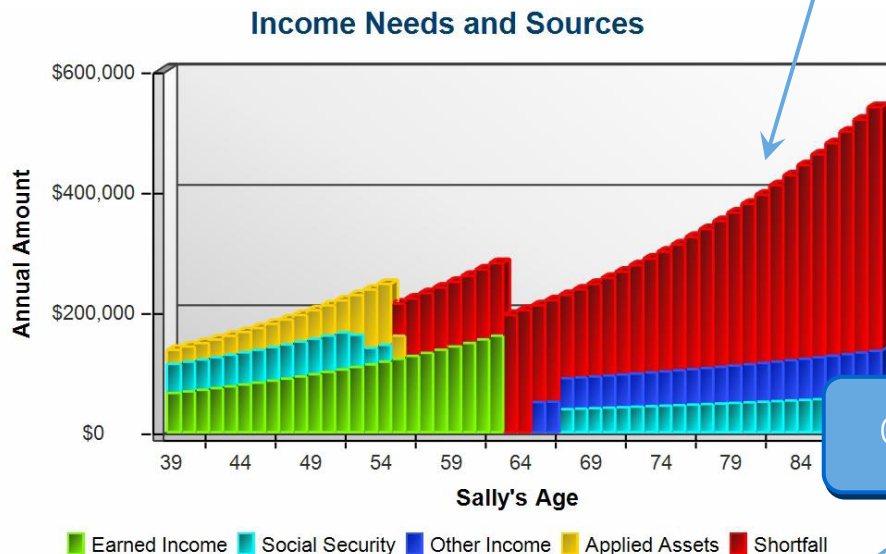
\$9,500 or 75.00% of today's total income after the children reach age 18.

\$6,333 or 50.00% of today's total income during retirement.

Illustrate the need.

Results

According to the analysis, your immediate needs may be met with your total assets. However, your liquid assets of \$521,500 are not sufficient to meet your needs. You may have to liquidate other assets at an inopportune time. All assets will be depleted by Sally's age 55.



Quantify the solution.

In order to provide for all needs today, you would need an additional amount of \$672,221 today.

Values shown in this presentation are hypothetical and not a promise of future performance.

Survivor's Immediate Needs

For clients who prefer specifics, detailed reports are available to show how the numbers are calculated.

In the event of Paul's death

Emergency Reserves

Everyone should maintain an emergency reserve fund. This is usually in the form of assets that can be quickly converted to cash. Establishing or maintaining this fund is considered an important step when evaluating funding needs in the event of death.

Capital Needed Immediately

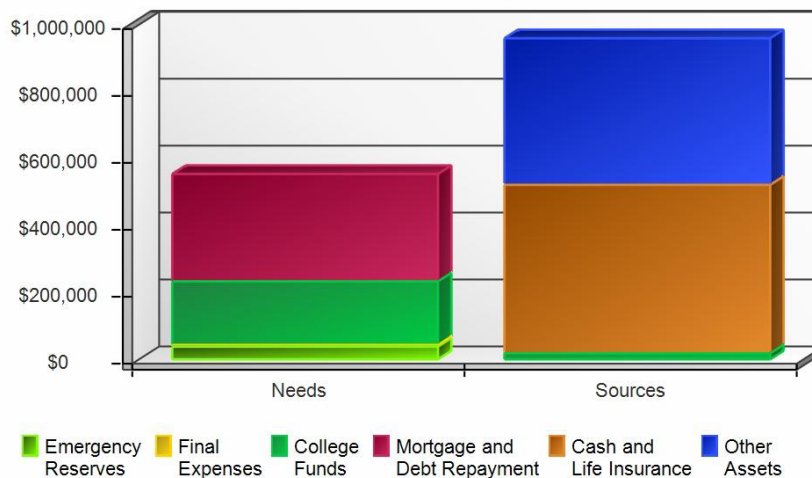
Emergency reserves		\$38,000
Final expenses		5,000
College fund		189,978
Debt repayment		
Mortgage	\$294,000	
Other debts	27,000	
Total debt repayment		321,000
Total immediate capital need		553,978

Capital Available

Cash	3,500	
Life insurance proceeds	500,000	
Existing college funds	18,000	
Total liquid capital		521,500

Amount needed from other assets	32,478	
Other available assets	438,000	
Additional assets required for immediate needs	0	
Assets available to support income needs		\$405,522

Funds Required Immediately Upon Death



The immediate cash needs may be satisfied with current assets; however, it may not be prudent to liquidate them immediately.

Values shown in this presentation are hypothetical and not a promise of future performance.

Survivor Needs Timeline

Assumptions:

Deceased Individual: Paul
 Surviving Individual: Sally
 Rate of Return: 7.00%
 Rate of Inflation: 4.00%

Analysis Results:

Total of Annual Shortfalls:
 Additional Capital Required:

\$7,350,325
\$672,221

Age	Need	Sources				Earnings from Assets	Asset Balance	Annual Shortfall
		Earned Income	Social Security	Other Income	Beg. Balance			
					Beg. Balance	\$405,522		
39	\$136,800	\$65,000	\$48,476	\$0	\$28,412	\$410,611	\$0	
40	142,272	67,600	49,446	0	28,706	414,000	0	
41	147,963	70,304	50,435	0	29,000	417,399	0	
42	153,881	73,116	51,444	0	29,294	420,798	0	
43	160,037	76,041	52,472	0	29,588	424,197	0	
44	166,438	79,082	53,522	0	29,882	427,596	0	
45	173,096	82,246	54,592	0	30,176	430,995	0	
46	180,019	85,536	55,684	0	30,470	434,394	0	
47	187,208	88,957	56,798	0	30,764	437,793	0	
48	194,673	92,505	57,944	0	31,058	441,192	0	
49	202,416	96,185	59,122	0	31,352	444,591	0	
50	210,439	100,000	60,332	0	31,646	447,990	0	
51	218,744	103,954	61,574	0	31,940	451,389	0	
52	227,333	108,051	62,848	0	32,234	454,788	0	
53	236,208	112,295	64,154	0	32,528	458,187	0	
54	246,371	116,690	65,492	0	32,822	461,586	0	
55	256,824	121,241	66,862	0	33,116	464,985	0	
56	267,578	125,953	68,264	0	33,410	468,384	0	
57	278,635	130,831	69,698	0	33,704	471,783	0	
58	290,007	135,879	71,164	0	34,000	475,182	0	
59	301,706	141,102	72,662	0	34,294	478,581	0	
60	313,744	146,505	74,192	0	34,588	481,980	0	
61	326,133	152,093	75,754	0	34,882	485,379	0	
62	338,885	157,871	77,348	0	35,176	488,778	0	
63	352,012	163,844	78,974	0	35,470	492,177	0	
64	365,526	170,017	80,632	0	35,764	495,576	0	
65	379,439	176,395	82,322	0	36,058	498,975	0	
66	393,764	183,083	84,044	0	36,352	502,374	0	
67	408,513	190,087	85,798	0	36,646	505,773	0	
68	423,698	197,412	87,584	0	36,940	509,172	0	
69	439,331	205,063	89,402	0	37,234	512,571	0	
70	455,424	213,045	91,252	0	37,528	515,970	0	
71	472,089	221,363	93,134	0	37,822	519,369	0	
72	489,338	230,022	95,048	0	38,116	522,768	0	
73	507,184	239,027	97,004	0	38,410	526,167	0	

Put the solution in perspective: The problem is \$7 million of shortfalls. The solution is an insurance policy for less than \$700,000. The cost of the solution is the annual premium.

Support one-page summaries using detailed reports.

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Types of Life Insurance Policies

In choosing the type of insurance policy, consideration must be given to the client's financial goals, creation of an estate plan, and state death taxes,¹ etc.), business buy-out, key-man coverage, etc.

Discuss concepts and recommendations using SUMMARY level reports.



Decreasing Term

Level premium, decreasing coverage, no cash value: Suitable for financial obligations which reduce with time; e.g., mortgages or other amortized loans.

Annual Renewable Term

Increasing premium, level coverage, no cash value: Suitable for financial obligations which remain constant for a short or intermediate period; e.g., income during a minor's dependency.

Long-Term Level Premium Term

Level premium, level coverage, no cash value: The annual premiums are fixed for a period of time, typically 5, 10, 15 or 20 years. Suitable for financial obligations which remain constant for a short or intermediate period; e.g., income during a minor's dependency.

Whole Life

Level premium, level coverage, cash values: Cash value typically increases based on insurance company's general asset account portfolio performance. Suitable for long-term obligations; e.g., surviving spouse lifetime income needs, estate liquidity, death taxes, funding retirement needs, etc.

Universal Life

Level or adjustable premium and coverage, cash values: Cash values may increase, based on the performance of certain assets held in the company's general account. Suitable for long-term obligations or sinking-fund needs: estate growth, estate liquidity, death taxes, funding retirement needs, etc.

Variable Life and Variable Universal Life

Level/adjustable premium, level coverage,² cash value: Suitable for long-term obligations and those who are more active investors and for estate growth and death tax liquidity.

¹ Under the Tax Act of 2001, the federal estate tax is gradually phased out until its final repeal in the year 2010. If Congress does not act at that time to repeal it for the years following, it will automatically revert back to the rates in effect during the year 2001, with an exemption for the first \$1,000,000 of assets.

² Can be increased by positive investment performance. The policy owner directs cash values to a choice of investment accounts (bond, stock, money market, etc.). However, cash values are not guaranteed.

Universal Life Insurance

What Is Universal Life Insurance?

Universal life insurance contracts differ from traditional whole life policies by specifically separating the mortality risk, expense, and cash value payment. These three components allow for a higher degree of flexibility in adjusting the policy (within certain limits) the policy amount or premium, in response to changing needs and circumstances.

Discuss concepts and recommendations at a **DETAIL** level.



A monthly charge for both the mortality element and the expense element is deducted from a policy's account balance. The remainder of the premium is allocated to the cash value element, where the funds earn interest. Unlike traditional whole life policies, complete disclosure of these internal charges against the cash value element is made to the policy owner in the form of an annual statement.

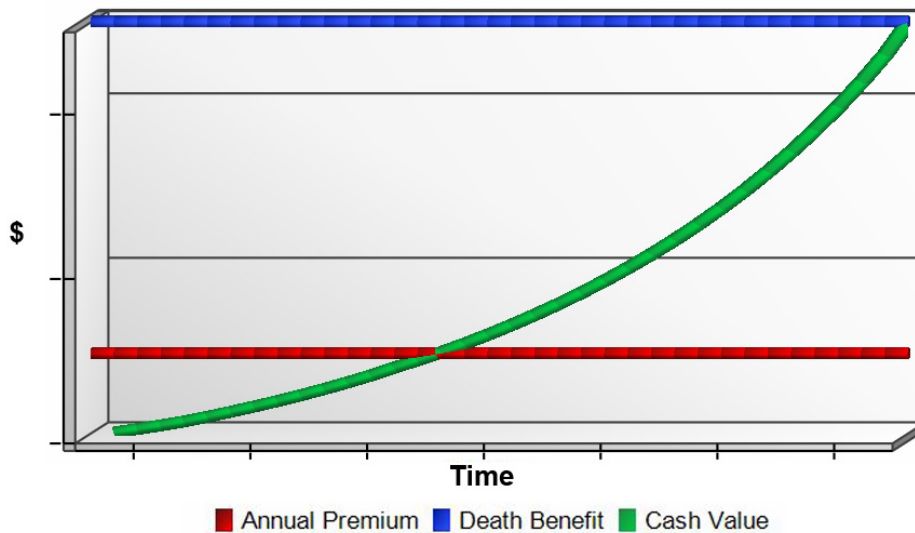
Many universal life policies have several different provisions by which the accumulated cash value can be made available to a policy owner during life, without causing the policy to lapse. If a policy is terminated without the insured dying, there are various surrender options for the cash value.

Policy Variations

There are two primary types of universal life, based on the level of death benefits:

- **Type I universal life:** Also known as option A, type I universal policies pay a fixed, level death benefit, generally the face amount of the policy.

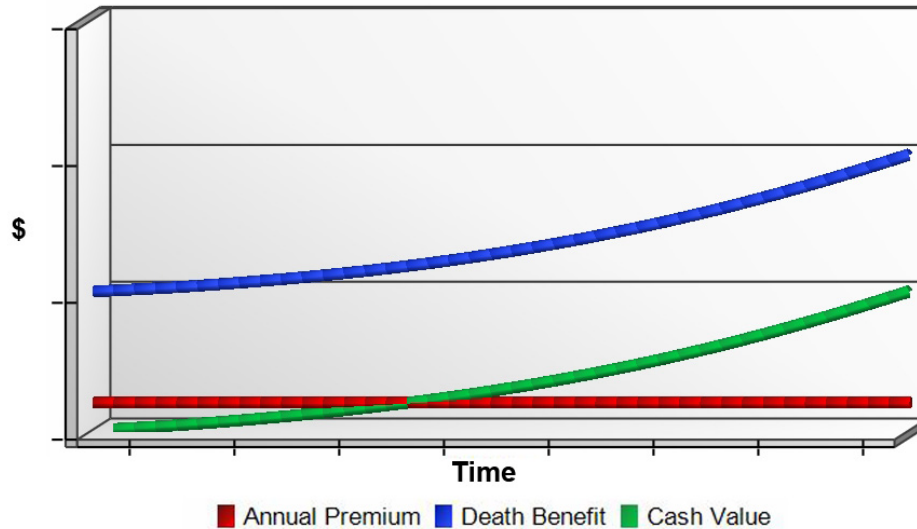
Example of Type I Universal Life



Universal Life Insurance

- **Type II universal life:** Also known as option B, type II universal policies generally pay the face amount of the policy plus the accumulated cash values. As the cash values grow, so does the potential death benefit.

Example of Type II Universal Life



Common Uses of Universal Life

Universal life policies are useful for policy owners who expect their needs to change over time. Within certain guidelines, a universal life policy can be modified by changing the death benefit or premium payments. Some common uses are:

- **Family protection:** To provide the funds to support a surviving spouse and/or minor children, or to pay final bills such as medical or other estate expenses, as well as federal¹ and state death taxes.
- **Business planning:** Because of its flexibility, universal life insurance is often used for many different business purposes, such as insuring key employees, in split-dollar insurance arrangements, and funding nonqualified deferred compensation plans. Business continuation planning often involves using universal life as a source of funds for buy-sell agreements.
- **Accumulation needs:** Some individuals will use the cash value feature of universal life as means of accumulating funds for specific purposes, such as funding college education, or as a supplemental source of retirement income.
- **Charitable gifts:** To provide funds for a gift to charity.

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Universal Life Insurance

Modified Endowment Contracts (MECs)

A life insurance policy issued on or after June 21, 1988¹ may be classified as a modified endowment contract (MEC) if the cumulative premiums paid during the first seven years (7-pay test) at any time exceed the total of the net level premiums for the same period.

If a policy is classified as a MEC, all withdrawals (including loans) will be taxed as current income, until all of the policy earnings have been taxed. There is an additional 10% penalty tax if the owner is under age 59½ at the time of withdrawal, unless the payments are due to disability or are annuity type payments.

A universal life policy can avoid treatment as a MEC through a well-designed premium payment schedule. Caution must be exercised when changes in policy premium payments or death benefits are made, or when making partial withdrawals, to avoid having the policy inadvertently classified as a MEC.

Additional Policy Elements

Universal life policies have a number of additional elements to consider:

- **Surrender charges:** Most universal life policies have substantial surrender charges, if a policy is terminated. These surrender charges are generally highest in the early years of a policy, and decline over a period of time, usually from seven to 15 years.
- **Policy loans:** Universal life policies typically permit the policy owner to borrow at interest a portion of the accumulated cash value. The rate charged on the borrowed funds is often lower than current open market rates. A policy loan will reduce the death benefit payable if the insured dies before the loan is repaid; a policy loan will also reduce the cash surrender value if a policy is terminated. If the policy lapses or is surrendered with a loan outstanding, the loan will be treated as taxable income in the current year, to the extent of gain in the policy.
- **Partial withdrawals:** Most universal life policies allow a policy owner to withdraw a portion of the cash value, without terminating the policy. Such withdrawals reduce the amount of death benefit payable, and may be subject to current income tax, if the policy is classified as a MEC, or if the withdrawal exceeds cost basis for a non-MEC policy. Some contracts allow a policy owner to put the withdrawn funds back into the policy, but the insured may have to provide evidence of insurability to restore the original death benefit.
- **Surrender options:** If a policy owner surrenders a policy, there are generally three ways in which the accumulated cash value may be received, including: (1) taking the accumulated cash value, less any surrender charges; (2) receiving a reduced amount of paid-up insurance; or (3) taking paid-up term insurance in an amount equal to the original face amount of the policy.

¹ Including a policy issued before that date, but later materially changed.

Universal Life Insurance

Optional Policy Provisions

A number of optional provisions, commonly referred to as riders, can be added to a basic universal life policy, generally through payment of an additional premium:

- **Waiver of premium:** Suspends the monthly deduction for the mortality element of the policy, if the insured becomes disabled and is unable to work.
- **Accidental death:** Pays the beneficiaries double (in some situations triple) the face amount of the policy if the insured dies in an accident.
- **Spousal or family term insurance:** Allows a policy owner to purchase term insurance on a spouse or children.
- **Accelerated death benefits:** An accelerated death benefits provision allows for payment of part of a policy's death benefit while an insured is still alive. Such benefits are typically payable when the insured develops a medical condition expected to lead to death within a short period of time.

How a Roth IRA Works



Account Owner

- Contributions are not tax deductible.
- Total annual contribution is limited.
- Annual contribution limits are coordinated with any traditional IRA.

Illustrate concepts graphically with flow charts.

Roth IRA Account

- May be opened anytime between January 1 of current year until due date of tax return.
- A separate spousal Roth IRA may be established for a spouse with little or no earned income.

Qualified Distributions

- Qualified distributions are tax-free if a five-year holding period is met and one of the following applies - The owner is over 59½, dies, becomes disabled or the distribution is for up to \$10,000 of qualified first-time homebuyer expenses.

Retirement

- Assuming compensation, contributions may continue to any age.
- No mandatory age for starting withdrawals.
- No minimum distributions required while owner is alive.
- Qualified distributions are received free of federal income tax.

Death

- Value of Roth IRA is included in owner's federal gross estate.
- If five-year holding period is met, beneficiaries receive funds free of federal income tax.
- A surviving spouse may choose to treat an inherited Roth IRA as his or her own.

¹ The maximum annual contribution is the lesser of \$5,000 (\$10,000 for a married couple) or 100% of compensation. For married couples, no more than \$5,000 may be contributed for either spouse. For a Roth IRA owner age 50 or older, an additional \$1,000 may be contributed (\$2,000 if the spouse is also age 50). The maximum annual contribution to a Roth IRA is phased out for individuals with incomes in excess of certain limits.

² The conversion is a taxable event. Gross income for the year of conversion is increased by previously deducted contributions, plus net earnings (or minus net losses). Beginning in 2010, the prior prohibitions against conversion because of a MAGI in excess of \$100,000 or using the married filing separately filing status no longer apply.

Advantages of a Will

Help clients make an informed decision by using BRT to educate.

Avoids Distribution Under the Law of Intestacy

The state intestacy law will pass property to certain relatives of the decedent. The law is drafted to be fair in the average situation, but most persons would like to choose who will receive their estate when they die.

Permits the Nomination of a Guardian for Minor Children

Without a nomination in a will, the court will appoint a guardian of the person for minor children. Relatives are not always the best choice for a guardian and consideration must be given to the financial situation of the potential guardian, as well as his or her health, age, willingness and ability to care for your children.

Waiver of the Probate Bond

In the absence of a will, the court will require a fiduciary bond to be posted by the administrator (executor) of the estate to guarantee the replacement of any funds embezzled or diverted by him. Since this additional cost must be borne by the estate, the estate owner may want to waive the bond requirement in the will. Great care should be used in selecting an executor.

Choosing the Executor

The duties of the executor of an estate can be very time consuming and frustrating, especially to a spouse who has just lost his or her mate. In the will, a qualified individual and/or a corporate trust company can be chosen to handle these responsibilities.

Making Specific Bequests to Individuals

An individual may bequeath specific items of jewelry, heirlooms and furniture, or make cash bequests, and be certain that they will pass to the proper persons. Without a will, written or oral instructions may not be followed.

Sale of Assets During the Administration of Probate

Additional expense to the estate can generally be avoided by permitting the sale of assets without the executor having to publish a notice of sale in the newspaper. A sale of assets may be necessary in order to pay death taxes and expenses of probate.

Advantages of a Will

Authorizing the Continuation of a Business

Unless the will authorizes the continuation of a business, the executor must operate it at his or her own risk. Many executors may elect not to administer the estate unless this risk is borne by the estate.

Deferring Distributions to Minors

When parents die leaving minor children, each child's share of the estate must be held in a guardianship account until he or she attains the age of 18 (or 21), at which time the entire remaining share is distributed outright. Trust provisions can be placed in the will to defer these distributions until a more mature age.

Tax Savings

Certain, substantial tax savings are possible through the use of trusts. The will can be used to create trusts after death. Such trusts are known as testamentary credit shelter trusts. Similar tax savings, as well as probate savings, can be achieved through the use of trusts established during life, known as living credit shelter trusts.¹

Peace of Mind

Although this advantage cannot be measured in dollars and cents, when the estate is in order an emotional load is lifted from the person who is concerned for his or her family's well being.

¹ Under the Tax Act of 2001, the federal estate tax is gradually phased out until its final repeal in the year 2010. If Congress does not act at that time to repeal it for the years following, it will automatically revert back to the rates in effect during the year 2001, with an exemption for the first \$1,000,000 of assets.

