

SELECTED SENIOR CLIENT ISSUES

Presented to

NEW ORLEANS ESTATE PLANNING COUNCIL

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by

JOHN D. BECKER, AEP, CLU
Becker, Suffern, McLanahan
1245 West Causeway Approach
Mandeville, Louisiana 70471

Introduction – COMMENTS –

My coverage will include –

(1) Ethical Wills, (2) Long-term Care, and (3) Annuities.

(1) ETHICAL WILLS

I. What is an “Ethical Will”? – DEFINE

- A. Historical beginning -
 - 1. Genesis – Chapter 49.
 - 2. Deuteronomy 33.
 - 3. Book of Proverbs.
 - 4. John – Chapter 15-17 (Read passage).
- B. Middle Ages – then later when the written word was introduced.
- C. Ethical Will – e.g.,
 - 1. Linking Generations.
 - 2. Legal Wills bequeath valuables; Ethical Wills are documents which confer values.

3. Love letter to the Beneficiaries – the next generation.

II. What's in an Ethical Will? (i.e., CONTENT)

An ethical will reflects the “voice of the heart”. Think of it as a love letter to your family. Every ethical will is as unique as the person writing it.

After reading a number of ethical wills, there are common themes that run through many of them. Older ethical wills contained burial instructions, blessings, and personal and spiritual values.

Here's a partial list of common themes seen in more modern ethical wills:

- Important personal values and beliefs.
- Important spiritual values.
- Hopes and blessings for future generations.
- Life's lessons.
- Love.
- Forgiving others and asking for forgiveness.

III. Why Write an Ethical Will?

There are many personal reasons for writing an ethical will. Here are some of them:

- We all want to be remembered, and we all will leave something behind.
- If we don't tell our stories and the stories from whom we come, no one else will and they will be lost forever.
- It helps you identify what you value most and what you stand for.
- By articulating what we value now, we can take steps to insure the continuation of those values for future generations.
- You learn a lot about yourself in the process of writing an ethical will.

- It helps us come to terms with our mortality by creating something of meaning that will live on after we are gone.
- It provides a sense of completion in our lives.

IV. **When Might you Write an Ethical Will?**

Here are some occasions when you might consider writing an Ethical Will.

Betrothed Couples:

Today, the overall divorce rate in our society has “declined” to about 50%.

However, 70% of divorces occur within the first 5 years of marriage. An ethical will can help a couple to clearly understand each other’s values, and it can contribute to building a foundation of common values for the marriage. Many clergy are attending to this issue today.

Expectant and new parents:

It’s been said that children don’t come with a “user’s manual”. An ethical will at this stage will provide a foundation of common values upon which to approach childrearing. In addition, an ethical will can help in conflict resolution by increasing the understanding of each other’s important values.

Divorcing Couples:

Even in divorce, an ethical will can provide some security and reassurance for the children involved, by providing tangible evidence what’s important to their parents. It’s even possible that in a divorce situation, the “blame factor” might be minimized.

Growing families:

For growing families, an ethical will can be used to teach values to our children. By writing these values on a document, it has the potential to improve communication with our children.

Empty-Nesters:

Provides the opportunity to launch adult children and enter into a new relationship phase.

Middle age and beyond:

This is one life stage that writing an ethical will is most fitting. It is an opportunity to harvest our life experiences, convert these experiences into wisdom, and allow for the fulfillment of the responsibility of passing this wisdom on to future generations.

End of Life:

If energy and time permits, writing an ethical will at the end of life adds a transcendent dimension to our lives by providing a link to future generations. In essence, you are providing your legacy of values and beliefs for a time when you are gone.

V. How to Write an Ethical Will!!

Discuss three (3) Approaches. – See Book! (Dr. Baines)

VI. Couple with other Instruments, i.e.:

- A. Last Will and Testament (legal Will).
- B. Living Will.
- C. Health and Financial Power of Attorney.

VII. Estate Planning – a brief word.

How all fits together!

- A. Objectives.
- B. Problem Areas to Overcome.
- C. Alternative Solutions.

EXPLAIN above [A, B & C]

VIII. Conclude!

(e.g., Most Effective Way to Complete)

(2) LONG TERM CARE (LTC)

I – LTC Marketplace – “Where We’ve Been”

A. Carriers.

- 2009 Unum exits ILTC market
- 2009 Allianz exits LTC
- 2010 MetLife exits GLTC and ILTC
- 2010 John Hancock suspends multi-life sales
- 2011 Guardian exits LTC
- 2012 Feb – Unum exits GLTC
- March – Prudential exits ILTC

B. Many other carriers exited since the peak in 1989 (143 companies).

C. Rate increases all along the way.

II – LTC Market – Today

A. Current Carriers.

- John Hancock – ILTC (back in Market)
- Prudential GLTC
- Genworth – ILTC and GLTC
- Transamerica – ILTC (incl. multi-life)
- Mutual of Omaha (ILTC)
- Life Secure – ILTC
- Med America – ILTC and GLTC
- American General
- a few Career Carriers (Mass Mutual, Northwestern Mutual, NY Life)

III - Long-term Care Industry Results

A. 2011 Year End: 6% Growth in New LTCI.

B. Q1 2012: Expect similar increase in growth.

C. Worksite LTCI Sales on the rebound.

Economy & LTC in 2011

- A. Late signs of economic improvement.
- B. Turbulent LTCI Industry with many questions.
- C. Interest rate risk a significant concern.
- D. Intense focus on profit margins/ROE.
- E. New business and inforce premium increases.
- F. Consolidation of business, more premium to fewer carriers.

Environment and LTCI Industry in 2012

- A. CLASS LTC Plan now gone.
- B. Continued State and Medicaid budget shortfalls.
- C. Consumers personally responsible more than ever.
- D. More intense attention on price point and risk.
- E. Underwriting becoming more thorough and stringent.
- F. Internet LTC "online sales" grow.
- G. Insurer investment in individual LTCI online enrollment.
- H. Worksite LTC sales will accelerate with economy.
- I. Evolution and growth coming as the industry matures.

IV – Insurance Company – Report Cards

Grading Curriculum

- A. Math = Financial Strength and Stability.
- B. Science = New Product Pricing and Development.
- C. English = Service, Underwriting and Communications.

D. History = Claims Management and Inforce Rate Increases.

E. P/E = Industry Position, Presence and Endurance.

V - Employer Market Opportunity

Employers will look to benefit brokers:

- A. Information about Voluntary LTCI Benefits.
- B. CLASS Plan is not emerging as a public solution.
- C. Advice about if and what they should do with LTCI.
- D. Comparisons of LTCI plan options available.
- E. Counsel about best solutions and employee needs.
- F. Basic education so employees can make informed decisions about LTC.

VI - LTC Alternatives (Hybrid Products)

- A. Hybrid LTC Products & LTC Riders offer additional choices for Long Term Care insurance needs.
- B. Not as flexible or benefit rich as Standalone LTC products.
- C. Underwriting process may be "easier".
- D. Pricing is situation dependent.
- E. In general, Hybrid & Life with an LTC Rider are more expensive (for now).
- F. Address common LTC objection: if benefits not needed, premium dollars are lost.
- G. Offer modest death benefit (<\$750k); not DB driven.
- H. Offer some inflation options, benefit period options, and elimination period options.
- I. Lend themselves to "asset repositioning" discussions

VII – Some Take Away Thoughts

- A. We are in a growing and turbulent market. LTCI is a young product compared to other types of insurance.
- B. Consolidation happening, more business to fewer carriers.
- C. Long-term care insurance continues to demonstrate value in growing consumer claim trends and use of benefits.
- D. As with any health insurance product with growing utilization trends, expect premium rate increases.
- E. It is not a matter of IF but, WHEN... premium rate increases will occur over the life of a policy.
- F. The need for LTC planning is growing. LTC insurance will continue to be the most economical risk management solution for most people.

VIII - Conclude

(3) ANNUITIES

I – My historical thoughts about Annuities

II – How I’ve changed my earlier thoughts – WHY?

- A. Client concerns.
- B. Product innovation.
 - 1) Earlier Annuity understanding.
 - 2) Today’s World of Choices.
- C. Educating client – lots of moving parts.
 - 1) Misperceptions of Clients.

III – Attitude of Insurance Carriers (Equate to LTC?)

IV – Conclude/Questions