
# Redefining Asset & Income Protection

## How to reframe disability insurance to engage clients





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# Starting the Conversation

- Engaging clients can be challenging.
- Typical approaches to “DI” may be the root cause:
  - Fear based selling.
  - Negative language, focusing on the loss.
  - Presented as a secondary solution.
- Typical results leave producers and clients dissatisfied.

# The Landscape Today – What the Research Confirmed

| The Audience | The Initial Barrier | Today's Reality |
|---|---|---|
| Wholesalers | Some believe producers think DI is **too complicated** to sell | *Fewer conversations about DI – and lower sales* |
| Producers (non-sellers) | Worry they may harm client relationships if they **push too hard**<br><br>Think clients may not understand all **the details** | |
| Clients | Unsure whether they need **more insurance**<br><br>Think they're **already covered** by group coverage | |





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# The Path Ahead

- The research was clear: wholesalers, producers, and clients want a more **positive, benefits-oriented** approach to the DI conversation.

# Begin the Conversation

Successfully selling DI involves understanding what disability insurance is, then developing a sales strategy to target the right clients.

- Disability insurance = **Income Protection.**
  - Most clients understand the importance of their income.
  - Monthly benefits from DI can provide financial stability and help keep your clients' financial goals on track until they return to work.
  - Position DI as the policy that protects everything else.

"People may not equate the term 'disability insurance' to protecting their income. But that's what it's there for. It's protecting your lifestyle."
— *Non DI Seller*

- Many clients are open to discussing DI.
  - Use the **ideal client profile** to pinpoint clients most likely to be open to DI.
  - Use the **right language** to have patient, targeted conversations with the **right clients**.

**Ideal Client Profile**

- Employed full time
- Ages 25-50
- Have children
- Household income of $75,000 or more
- Occupation groups include:
  - Medical & dental professionals
  - Business owners
  - Grey & white collar professionals
  - Corporate managers & executives

# Shift the Conversation

Protection **against** disability. → Protection **for** income.

"Thinking about it as income insurance makes it real. If I do become disabled and I can't work, my 'income' will still be coming in. That's important."
- *Participant, St. Louis*

**Isolating** the DI conversation. → **Connecting** DI to a broader insurance conversation.

"I put a lot of stock in life insurance, but now I'm thinking…I may really have to switch my focus."
- *Consumer, St. Louis*

"I like the idea of learning about the coverage I already have through work. To be honest, I don't really understand it."
- *Participant, Charlotte*

**Scare tactics** & unrealistic promises. → **Stability.**

"The reality is that your lifestyle is going to change if you become disabled, and you just want to know if you're going to be able to keep it stable."
– *Participant, St. Louis*

# Sustain the Conversation

| | |
|---|---|
| Consequences of not having DI. | **Realistic benefits** of having DI. |
| Transactional sale. | **Patient** conversation(s). |
| Using raw statistics. | **Targeted DI strategies.** |
| One-size-fits-all. | **Customization.** |
| Comparing DI to auto/home. | **Compliment** to the life insurance. |
| Individual vs. Group. | **Supplemental** to Group. |

# Building a New Conversation

An **effective client conversation** puts the client in control by **affirming** their smart decision to protect their income, **leading** them through a positive conversation that's focused on the benefits of DI, and ultimately **empowering** them to make their OWN decision.

# Make Your Words Meaningful

## Shift Away From:

- Will not/may not/cannot.
- Scare tactics.
- Impacts of no DI.
- Selling against group DI.
- Comparisons to auto/home.
- Overly aspirational language.
- Negativity.
- High pressure.
- Uncertain financial future.
- Raw statistics.
- Focusing on the sale.
- No DI sales strategy.
- Overselling.

## Shift Towards:

- Income protection.
- Stability.
- Strengthen your financial security.
- Supplemental to group DI.
- Complement to life insurance.
- Realistic benefits.
- Positivity.
- Patience.
- May not need.
- Educate.
- Empower the client.
- Targeted DI sales strategies.
- Leading.

# Changing the Conversation

- A connected conversation with clients, with the goal of an asset protection and income continuation plan that fits their needs, created through a positive and collaborative approach, will allow clients to see the benefits from day one.

# Engage, Enlighten & Empower

- Positive, benefit oriented conversations, focused on establishing a dialogue with clients.
- Constructive dialogue/guiding questions to determine the clients' needs.
- Help them see the benefits of their actions within the plan.
- When you receive pushback, renew the value proposition.

# Paradigm Shift

- What is “income” anyway?
- Debt is a primary financial concern for most clients, from a very early age.
- Retirement planning has changed.

# Retirement Focused Population

- Clients are focused on planning for retirement, signaled by an increased saving and plan funding.
  - 21% of workers are saving more based on 2016 Bankrate.com survey.
  - 401(k) balances are up 2% to an average of $88,900.
  - Average 401(k) balances for long term millennial savers rose to a record high $92,900.

# Growing Anxiety

- Clients have anxiety about retirement funding.
- Report from BMO Wealth Management illustrates these concerns:
  - 31% of participants site debt reduction as their most important financial priority.
  - 26% chose increased savings as most important.
  - 21% look to investing effectively and tax efficiency as the most important.

# Retirement Risks

- Client focus on retirement tends to be centered around a few broad areas:
  - Correlation to the "markets."
  - Saving "enough."
  - Diversification + time = safe.

# Neglecting Other Threats

- The retirement plan is likely the clients' first or second largest monetary asset.
- It is likely unprotected from risks such as:
  - Changes in regulation.
  - Changes in tax legislation.
  - Changes in health.

# The Default Income Continuation

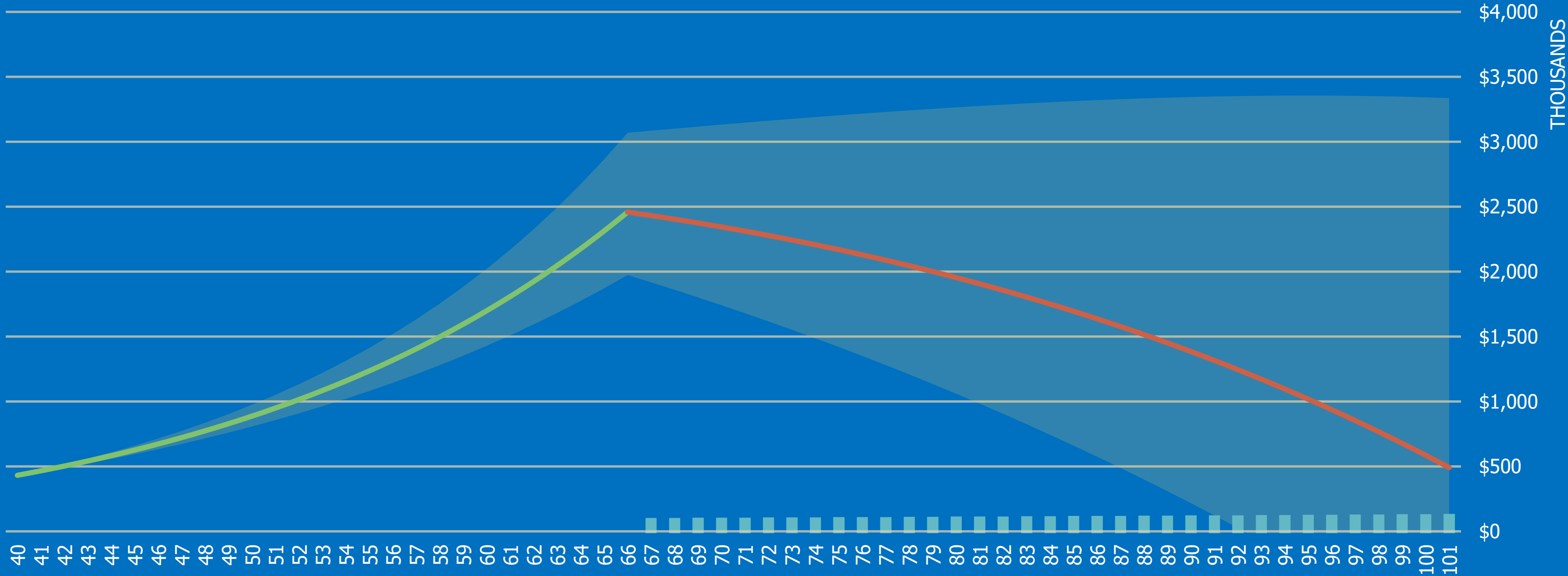
- One of the biggest risks to a client's retirement planning success is early withdrawal.
- Retirement funds **are** the default income continuation plan's source.
- What does it look like to remove funds from a retirement plan?

# Illustrating the Risk

- 40-year old professional.
- $200,000 income.
- Retirement savings balance of $400,000.
- Annual savings $10,500 (includes 3% ER match).

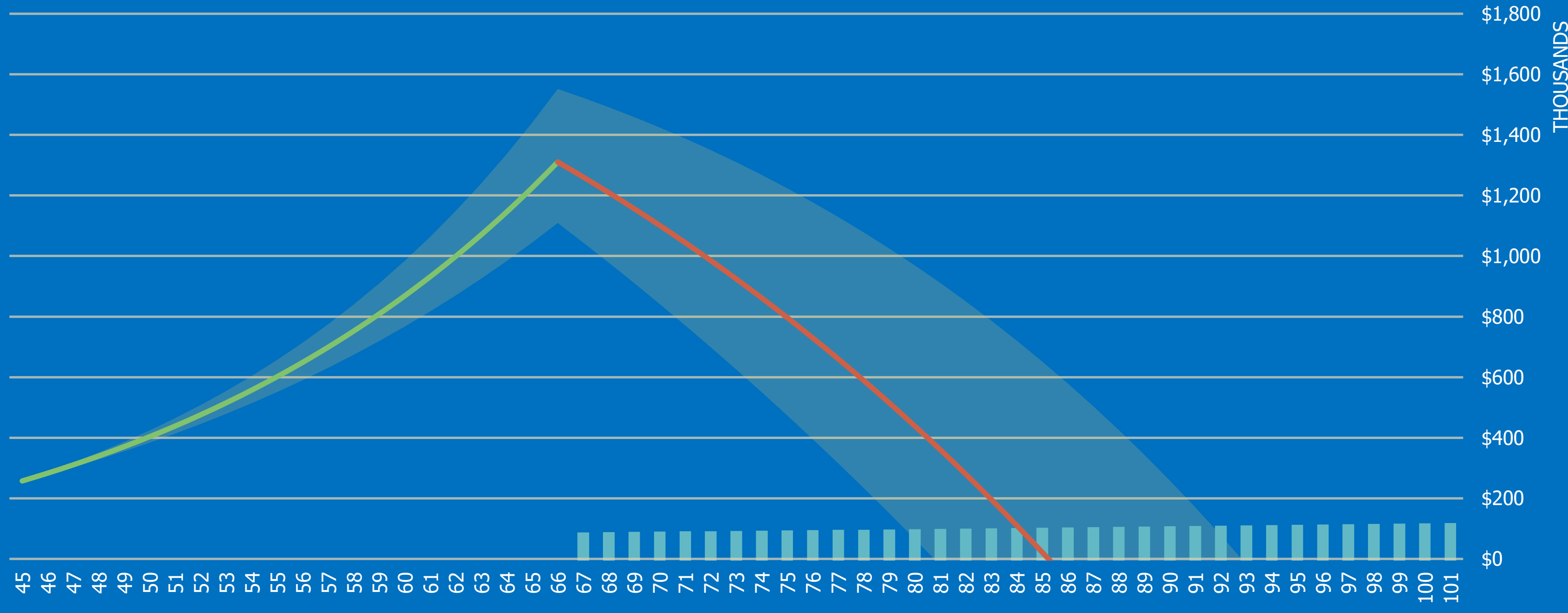
- Annual inflation/income increase 1%.
- Savings increase 2%.
- Investment return 5.5%.

# Illustrating the Risk




- Client plans to retire at age 67 with an account value of $2,459,000 and will draw roughly 3% of that value or $75,000 per year, starting at age 67 - with a little more coming out each year due to inflation. In retirement, the client is looking at a 2% investment return.
- At this rate, the client will get to age 101 and still have a balance of $492,000 in the plan.

# Illustrating the Risk




- A health issue at age 44 causes the client to take 15 months away from work. He exhausts his short-term savings and pulls $231,245 (or one year's income) from the plan (after penalty, federal & state income tax - net withdrawal is $208,000).
- Assuming everything else stays the same as the previous slide, the plan runs out of money at age 85.





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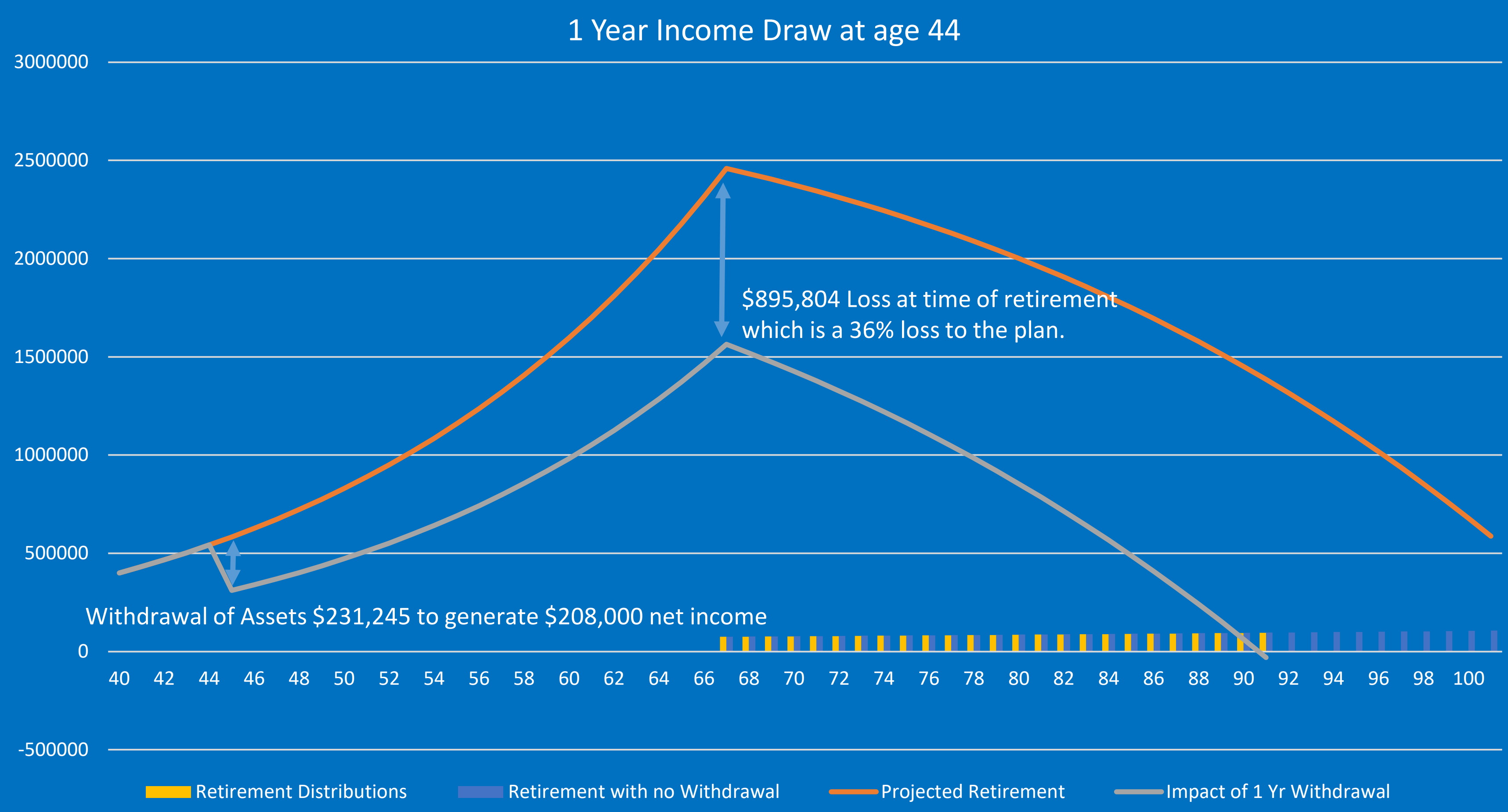

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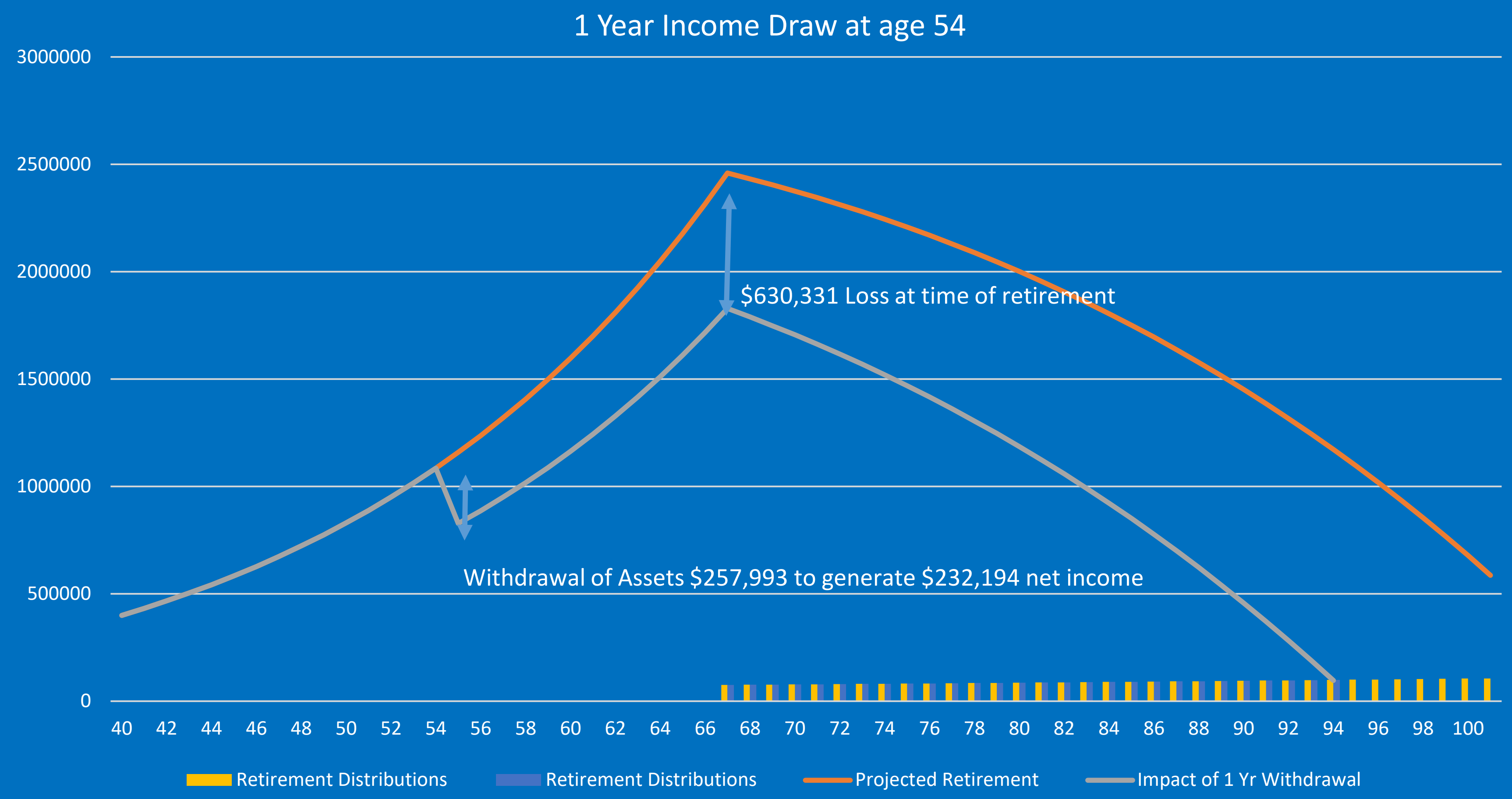






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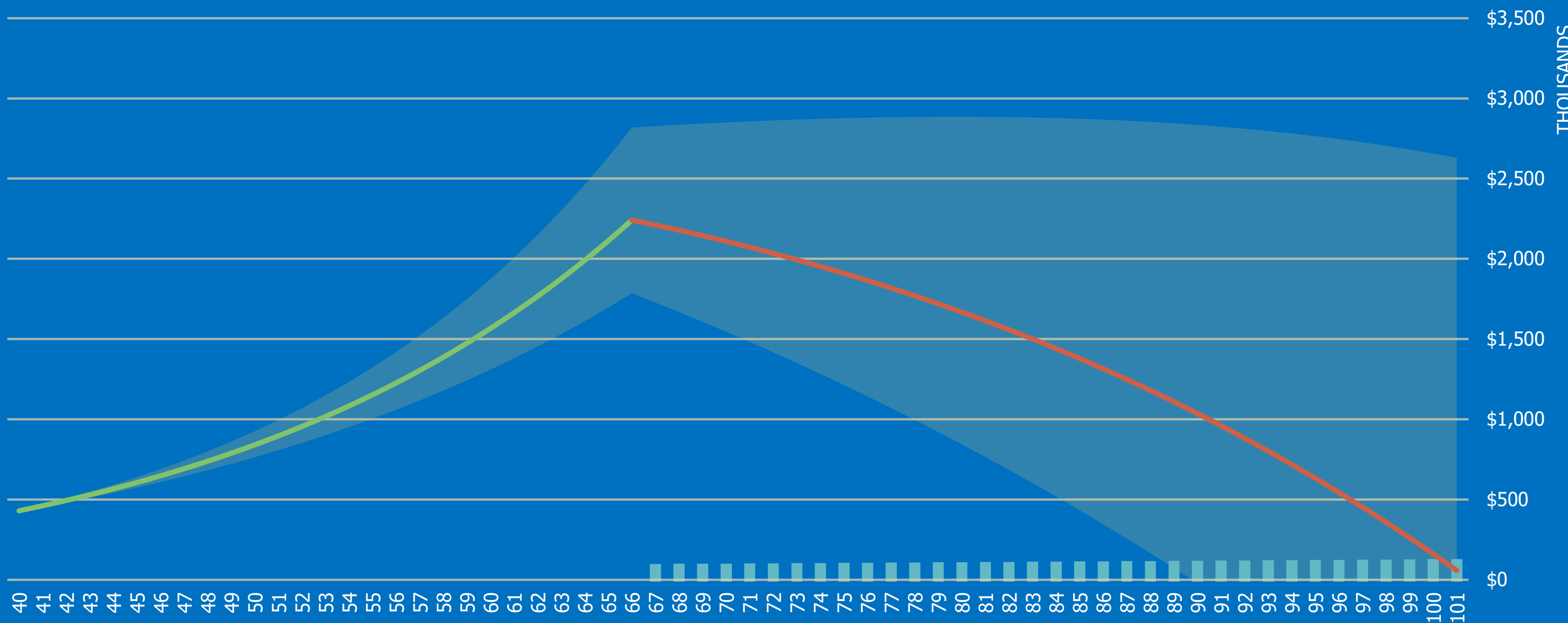
# The Solution

- An asset protection and income continuation (APIC) plan can provide downside risk mitigation at a moderate cost.
- This type of plan reduces the chances of a retirement funds withdrawal due to an unexpected change in health.
- Add an individual disability policy to the "retirement plan" to provide a more comprehensively protected asset.

# Illustrating the Solution




- With all the variables the same and taking $3,000 from the retirement plan contribution, the difference in the retirement plan balance at age 67 is $2,241,500 vs $2,459,000 (9% less) but the client can still end up at age 101 with a balance remaining of $57,000.
- While not ideal, this is a much smaller loss than what you might see if a loss of income was accompanied by a withdrawal from the retirement plan.





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# Positioning Asset & Income Protection

- By focusing on the benefit provided to the retirement plan we are able to position disability insurance as a valuable *investment in protection*.
- The premium can now be demonstrated as a way to diversify the risk protection beyond just fiscal/economic risk.
- While the chances of a disability are **low**, the impact of a withdrawal is **high**.

# Any Questions?