

First American: Specializing in coaching growth-oriented producers

Placing business with First American's New Business Team benefits producers

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Q. What are your team's strengths?

A. Our New Business Case Managers are qualified and seasoned; having joined FAIU with prior work experience in the life/annuity/disability and LTC industry. The team has the ability to analyze each case quickly and accurately reducing the time in underwriting for policy issue. We manage the case so the producer isn't shouldered with this responsibility.

The members of our New Business Case Manager team have a plethora of knowledge and experience in specialized areas, such as insurance held in trusts for Estate planning and Corporate Owned Life Insurance. This level of expertise can be particularly important to those high caliber producers, for example, who have a practice that caters to high net worth individuals.

When there are placement deadlines or a "best off" competitive situation, FAIU's recognition in the industry as a large general agency gives us the ability to escalate the processing time and to have the acceptable approval necessary to place the policy.

The depth of our experience enables my team to make valuable suggestions to producers. Table shaving is one example, and recommending an alternative product is another. Based on our experience, FAIU is unique in that our team is looking for the "best fit" for the client and not just making the sale.

Q. What's the major benefit of working with First American's New Business team?

A. Our mission is to strive to improve your experience, the ease of doing business with us and the ability of getting the case approved as quickly as possible.

First American Incentive Trip

QUALIFICATION PERIOD: January 1, 2010 – December 31, 2010
Stay Tuned For More Details

THE TOOL THAT MAKES A DIFFERENCE

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It will also help give you the confidence that you need to reach your goal by staying on track, while avoiding wasted time and effort.

At year's end, you will be able to say you were in charge of your business.

Frequently Asked Questions

Q. "Can working with First American help expedite getting a policy issued?"

A. It sure can. There are three factors at First American that reduce the time needed to issue a policy: 1) the size, experience and professional competence of our New Business team; 2) the use of technology; and 3) the continual improvement process that shortens the time required. In fact, we have cut the submission to approval time by 18% in the past year.

Q. "What do you see carriers doing about rates?"

A. From what we see, you can expect to see rates on term and permanent life insurance increase, with the upward pressure driven by economic conditions.

Q. "How does First American's internal sales support give me a competitive advantage?"

A. When you have a question, we will typically give you an answer within four hours and often less. We can do this because our Brokerage Managers are in the office working with producers. If you need a comparison of companies, for a case, we can get that to you quickly. We understand that our role is to help you facilitate the sales process.



It's About Your Business

A NEWSLETTER FOR LIFE AGENTS & FINANCIAL ADVISORS

Fall 2009



How to prepare clients for the coming estate tax changes

ALLAN D. GERSTEN, CLU, CFP, CHFC

There seems little doubt that the federal estate tax rules will fade away into the sunset at the end of the decade. Through 2009, the current law allows for a \$3.5 million personal exemption or \$7 million in combined exemptions for both spouses, if they have taken the necessary steps to capture both exemptions.

The federal estate tax disappears totally for estates having to file for deaths in 2010, making it a unique occasion in the history of federal "death tax" avoidance.

Advisors need to be proactive with clients starting immediately.

To clarify what is expected to occur, a client with a \$3.5 million estate is an example. If the federal estate tax falls back to its 2001 level when there was a \$1 million personal exemption and a marginal 55% tax rate and dies in 2011, the estate taxes would be \$1.375 million.

Based on that illustration, what planning will be appropriate as far as new estate tax rules going forward from 2011?

First, there is indication that the 2010 death tax "holiday" may never occur. The Administration and Congress will find a way to agree that it would be too costly to give up 2010 for collecting the federal taxes for deaths that occur that year given the incredible deficits that we are facing and the political climate

that we have. In light of the unprecedented federal budget deficits and their impact on taxpayers, it should be quite easy to retain the existing estate tax provisions in 2010.

Let's assume federal estate taxes will not disappear, since it is neither politically nor fiscally realistic.

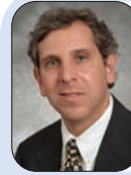
That said, we can expect personal federal estate tax exemptions to drop from the current \$3.5 million per person level. Although this may take place in 2011, it may be legislated at \$3.5 million for 2010 only and it is also possible that future estate tax exemptions will be indexed for inflation beyond 2010.

We can look for the marginal federal estate tax rates to run from 45% to 55%. It is quite likely that rates will be maintained at the 45% marginal rate, while possibly setting an additional 55% marginal rate for very large estates.

Even though much of the focus at this point is on the federal estate tax, it is equally important to be aware of the estate tax provisions of your state and their impact, if applicable, on the clients' needs. They often have different exemptions and provisions, although some states do not have estate tax laws, at least currently.

Second, advisors need to be proactive with clients starting immediately. If this sounds as if there is a sense of urgency, there is. Since this issue is being widely discussed in the press, clients are aware that changes are pending and wonder what the impact might be if they should die in the next couple of years. By having conversations

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THE TOOL THAT MAKES A DIFFERENCE

President's Message

KENNETH A. SHAPIRO

All too often, business plans bear little or no relationship to reality. In other words, they're only for show or nothing but window dressing.

Let's concede that this is true—business plans may be useless and a waste of time. However, it is also true that such thinking is dangerous.

As someone has said, "...When it comes to writing a business plan, the goal...is not to produce a book, *the goal is to produce a strategy.*"

The purpose of an Advisor's business plan is not to go to the bank, but to grow the business. Its objective is to answer this question: "How am I going to get from here to there over the coming year?"

In other words, the purpose of a business plan for Advisors is to help avoid destructive behaviors: drifting, wasting time and lack of focus.

What should an Advisor's business plan include? Here are several suggestions:

- What is your revenue goal for the coming year?
- Specifically, what will you need to do to reach that objective?

1. What changes will this require you to make in your operation?
2. How many new prospects will you need, how will you go about identifying them, and how do you plan to cultivate them?
3. Which products will you focus on?
4. Which new products will be required?

- What types of support will you need and where will you get it?
- What will keep you from achieving your revenue for the year?

Behind this type of business plan is a very simple, but essential concept: we all need road maps and this type of plan helps us measure progress. Of course, changes will be necessary. But with your map, you can be sure you are making changes that propel you toward your objective.

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A Case Study Can you write coverage on 80+ year old clients?

DENISE M. DESAUTELS, VICE PRESIDENT OF BROKERAGE

The answer is **yes**. You can write coverage on 80+ year-old clients and to illustrate the point, here is a recent First American case.

Facts

A male with an April 1923 date of birth.

Medical history

The applicant was diagnosed with prostate cancer in 2005 with a Gleason Score of 6, stage 2, no nodes involvement. Because of the applicant's age, the doctor took a "watchful/wait" approach. The PA level has been stable since being diagnosed.

The EKG's have been normal in the normal range (no ischemia); lab reports for cholesterol are all good. Blood pressure of 120/60 and 124/70 is well controlled. Client had two falls in 2007, which resulted in multiple rib fractures.

Client is a non-smoker; height, 5'10" and weight, 139 lbs.

Marketing the case

First American's New Business Group marketed the case to 15 insurance companies and all offers came back either highly rated or declined (most were declined).

When speaking with the underwriter at a top-rated insurance company, the person said, "I am not all that concerned with the stable PSA readings of the Prostate Cancer (taking the "watchful/wait approach).

However, the two falls in 2007 resulting in rib injuries were, by far, the major issue with all the underwriters. They were concerned that the client might fall again, hit his head and have an ever more serious injury.

Rather than accepting the underwriters' negative verdicts, First American obtained additional information to present to the underwriters for further consideration of the case. This was based on uncovering the following facts:

- There had been no additional falls between 2007 and April 2009.
- The client works out three to four a times a week at a local gym.
- He plays 18 holes of golf once a week.
- He is currently a member of four corporate boards and travels two or three times a year to corporate meetings.
- The client had been to Hawaii and Japan in 2008 and 2009.

This additional information portrayed a clear picture of a very active, vital and independent individual.

Results

With the new information, the case went from a **Decline to a Standard** offer. The client was very happy because his existing coverage would lapse in two years, due to declining interest rate crediting.

With this new policy, he could avoid spending additional premium dollars and still have a guaranteed no lapse product with one of the top-rated insurance companies.

The producer was pleased First American worked the case so favorably for his client. The target premium was \$117,000.

Since First American is highly experienced in working with difficult cases, the results speak for themselves. When you have a problematic case, let First American go to work for you and your client.



A conversation with
Alyson Noller, Director
of New Business

Placing business with First American's New Business Team benefits producers

Q. In what ways are you and your team proactive with producers?

A. We continue to work with our producers to be more efficient, reducing the processing time to policy issue. There is an ongoing line of communication between the case manager and the producer. Our goal is to give producers a competitive advantage. For example, all required forms if not initially received, are emailed to the producer. This proactive process helps to expedite the submit-to-approval time allowing a consistent flow of information.

Our New Business team orders all required APs immediately, as opposed to waiting for the carrier to make the request. Once all medical requirements have been received, the New Business team will request a "tentative medical offer." This is a unique practice because the typical procedure is for underwriters to review a case once all documentation has been received and found to be in good order. The "tentative medical offer" is still subject to non-medical requirements.

Q. Can you give an example or explanation of how First American contributes to the ease of doing business?

A. When we receive an application, for example, we review the application and immediately request any missing information from the producer. Our team is proactive and does not assume the necessary information will be forth coming. Another example that contributes to the ease of doing business with FAIU is requesting that a policy be issued on an exception basis with outstanding non-compliant forms/signatures can be requested at delivery.

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Survival Guide Series for Producers

First American's Survival Guide Series deliver dependable, relevant, and high-impact sales concepts from carriers and industry experts to help producers identify opportunities to drive more business.

Our event listings can be found on the FAIU website, as well as replays of brokerage managers' presentation from various speaking engagements. If you have a topic for a session you would be interested in attending, please submit it to marketing@faiu.com.



How to prepare clients for the coming estate tax changes

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with clients now, they know you are working on this issue. This will also mitigate the impact of someone else asking to meet with them about estate tax changes.

The initial conversation with a client should include two issues: 1) anticipate a need to review and redraft the client's will and trusts, if any, in conjunction with the client's attorney. Since a person's circumstances can change so rapidly today, redrafting a will to reflect the current situation is a necessity.

Then, 2) take advantage of the marital deduction and unified gift and estate tax credits. In a difficult and undulating economic environment, there are more unique estate planning opportunities than ever, particularly for high net worth clients. Outright gifts of stock or other property can transfer future growth in the property to heirs and remove the property from the estate.

Third, producers should sit with all their clients, prospects and centers of influence to review their life insurance plans. Quite candidly, periodic reviews are obligatory today for serving clients properly. This is what it takes to make certain the plan is current, especially when there is a confluence of changes involving economic, political and tax issues, as well as family needs and dynamics. All these must be taken into account, along with marital status, residence situation, and other types of assets.

Fourth, have a contingency plan for clients. The recent Wall Street meltdown is a lesson no advisor dare forget: clients were not prepared. Clients deserve to know that regardless of what happens, that you, as their advisor, will assist them in protecting their family. This is what will set you apart from others more than anything else. When things change, they can count on you to be there.

To meet the challenges, personal uses of life insurance will be critical. Specifically, the needs include supplying family members with an income source after the death of the income earner, provide cash to pay estate taxes, mortgages and other debts, assure the intended amount for the beneficiaries, equalize inheritance and leverage the annual gift tax exclusions.

Fifth, clients should solve liquidity needs. These include paying administrative costs and anticipated tax liabilities, as well as any indebtedness and funding for business needs such as deferred compensation arrangements, death benefits for a key person/employees' families, financing of the replacement of a key employee, replacement of lost revenues due to loss of a key employee and provisions financing the purchase of the business.

Clients are finding they need to review the issue concerning the surviving family's lifestyle, since the financial impact of the recession has changed the plans for their future financial security. This requires re-evaluating the budgetary and cash flow planning for family members. Such a review must take the likely income and estate tax changes into consideration.

Plans can be devised to distribute the client's estate upon death to family members in an orderly method antici-

pating the increased estate tax liability.

Sixth, clients should take steps to reduce or even eliminate estate taxes. Depending on the particular situation, there are numerous planning techniques that can help reach this objective: gifts, Qualified Personal Residence Trusts, Grantor Retained Annuity Trusts, a Family Limited Partnership, selling depreciated assets and gifting net proceeds, making installment sales to an intentionally defective Grantor Trusts, private financing and



It's very important to engage clients in a review of all the underlying issues so they are prepared to protect their family and their estates, now and into the future.

intra-family market loans (often coupled with the purchase of life insurance), private annuities and annuity maximization as well as other strategies.

Leverage using these strategies with a life insurance product can make a large impact for estate beneficiaries. For example, a client can use the Applicable Federal Rates (AFR) to lock in low imputed federal interest rates for intermediate and long-term private premium financing, which makes easy, low cost funding possible for a large life insurance policy that can be excluded from an estate.

This technique allows the family to minimize or eliminate current gift tax liabilities when transferring large amounts of money as premiums for Trust-owned life insurance.

The timing for planning involving gifts may currently offer especially low valuations, allowing for greater wealth transfer from the client's estate to the desired beneficiaries. Using such planning techniques as this will help shift future appreciation to coming generations and can be accomplished with only a minimized gift tax cost.

While no one knows what course the federal estate taxes law will take in 2010 and beyond, it is very important to engage clients in a review of all of the underlying issues so they are prepared to protect both their family and their estates, now and into the future.

Clients deserve to know that regardless of what happens, that you, as their advisor, will assist them in protecting their family.