Fiduciary Seminar PowerPoint Presentation - Script

Slide:

1: Opening slide >

“Created by” acknowledgement - to ensure that there is no interpretation that the presenter is engaging in direct policy analysis should state regulations be at odds with presenters credentials.

2: LIFE 180°®

LIFE 180°® creates a universe of fiduciary protocol and standards in which we can address risk management issues in an unbiased methodology.
The “180 degree turn” illustrates our commitment to represent the client’s best interest, as opposed to the typical industry approach of trying to place product. In essence, being ‘consultative’ verses ‘transactional’.

The center piece or foundation of **LIFE 180°®** is **Life Insurance Ethos** – guiding principles that mandate the benchmarks for creating a “clean room” environment which is void of any bias based on compensation, culture, product, or external influence.

This universe integrates the Fiduciary Process, use of Subject Matter Experts, proprietary Analytical Tools, Systems and Templates, providing Transparency and Full Disclosure.

3 & 4: Life Insurance Ethos©

(Read the 5 Steps and their sub-headings.)
This is an outline of the process we follow.
Emphasis:
1.1 (Must be articulated)
1.2 (This includes client as a decision maker)
1.3 (Attorneys, CPA’s, Trustees, and so on)
2.1 (Is the risk loss of income, taxation, reduction of estate, etc.)
2.2 (How are assets titled? Can certain assets or strategies reduce risk – such as a family LLC reducing estate tax exposure?)
2.3 (For example: targeted date for completion; change of issues / retirement, education, or debt reduction)
3.2 (Strategy or concept, advanced planning issues, selection of funding vehicles and legal documents, such as Trusts or succession agreements)
4.2 (Tools such as the LAAP©, Life Analyzer© and the Template for Life©)
5.1 (Ongoing review and monitoring for successful continuance toward the objective / Most policies and their related strategies have not been monitored since date of sale)

5: Policy style is vitally important in the selection process.

Few advisors give this the depth of consideration that is necessary for fulfilling the client's objective. Premium Dependent policy styles represent a contractual requirement of premium payments as stated in the policy. Risk and fiduciary responsibility are those of the insuring company.

Cash Value dependent policy styles have no contractually required premium strategy. Premiums are a designed strategy of policy deposits, properly constructed based on the cost and return assumptions presented. The advisor is responsible for the design of the strategy and constant monitoring for adjustments.

Hybrid policy style transforms a CV dependent policy style to that of being Premium Dependent, reducing flexibility and shifting risk. *(All of this is covered in more detail within upcoming slides.)*

6: Rule of 70 Something challenges the assumptions of illustration software.

Illustration creation is similar to the Rule of 72 (explain Rule of 72 to client/audience).

When illustrations are developed, an unknown component has to be given a value (i.e. run with an annual premium of $-X- to see how the policy performs, or develop what the annual premium will be if we want to hit a declared amount of cash value at a certain age/point in time/endow).

If we do not know the costs and economic factors that are being used to spinout the data, how do we know if the results are correct or sustainable?

7, 8 & 9: Validating discussion of Slide #6 and promoting the Life Analyzer©, a proprietary analytical tool that is another differential between us and everyone else.

#7: Data input from illustration / $1 Million policy on male age 35 to endow at age 100 / historical market overlay to view probabilities. Graph indicates potential of accumulation far in excess of the illustrated projections.

Why do we use historical cycles to look at probabilities? Because we know that there are two obviously inherent errors in VUL policy illustrations. 1) Assumed return is calculated as a static compounding element, which we know is not true since the market fluctuates. 2) The SEC requires that the illustration includes a -0- market return as the worst scenario. ?? We know that this is not true either, since we have had negative markets.

Therefore, we can strip out these two erroneous calculation methods and insert actual market cycle activity as far back as 1926.

#8: Another feature that has alluded advisors is that the primary issue of risk management is not the variable of market returns. The primary issue of risk management with these policy styles is that of future pricing assumptions. Through the unique aspect of reverse engineering, the Life Analyzer© can re-calculate and provide for us the pricing assumptions that were imbedded in the illustration software.

In this slide, we see that there is a major deviation of the assumptions projected against the benchmark actuarial curve of sustainable pricing.

#9: If those assumptions are suspect, we direct the Life Analyzer to re-price the policy so that the projected pricing assumptions are sustainable. In this case, using the same historical market cycles we used previously, we can see that the policy will lapse before we hit our targeted objective. This is a huge spread of deviation.

What this really tells us is that the annual premium created by the company's illustration software was not sufficient to obtain any probability of success.

10 & 11: Read verbatim.

12: Read verbatim.

(H & R represents the old Hit & Run mentality of the commission culture, which actually spills over to all policy styles)

Additional points/comments may be added at any point in which you feel comfortable, or at the end of your presentation.

We are not biased against commission products. We are biased against the commission culture, which is motivated by initiatives that conflict with your best interest (transactional only).

We believe that UL and VUL (including SUL and SVUL) are dynamic financial planning tools, whether it be for the risk management of protection (death benefit) or for tax-advantaged asset accumulation with wealth transfer leverage. However, these policy styles are only true to form and functionality when structured in a non-commission design; which we refer to as fee-engagement policy design, or no-load policies.
The importance of high liquidity, cost efficiencies, transparency and full disclosure is required under our approach, and these components are limited or non-existent in a commission product.

The old paradigm of expecting someone to create a plan/policy, or provide analysis without charging a fee and thinking that the result is going to be in your best interest must be re-evaluated. To create an unbiased environment, both parties (advisor and client), must enter into an arrangement that allows for such an environment to exist.