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ESSENTIAL SKILL SETS OF A SUCCESSFUL LIFE INSURANCE PROFESSIONAL

WHY LIFE INSURANCE?

Life insurance is a major and unique planning tool particularly in the business continuation, and estate planning or wealth management/transfer arenas, because it does three things that no other planning tool can do as well. I call them LLW:

LEVERAGE, LIQUIDITY, AND WEALTH REPLACEMENT

LEVERAGE: Life insurance significantly leverages a person's wealth, or a business' bottom line. A small premium payment can generate a vastly disproportionate amount of highly tax-favored income-generating capital. Similarly, life insurance can provide indemnification to a business for the loss of a key employee, funding for buy-sell arrangements, et cetera

LIQUIDITY: Life insurance can guarantee that when crushing taxes, debts, and other demands for cash or income occur (at a person's death, for example), the needed capital will be available almost instantly and cost effectively – that is, without unnecessary “slippage” or “erosion” – at the very time it is most needed. Through properly arranged life insurance, death of the insured (the event that creates the need for capital in large amounts) triggers the payment of proceeds to satisfy that need.

WEALTH REPLACEMENT: Life insurance is the perfect wealth replacement vehicle. For instance, the ability to make current gifts to a charity, and replace all or a significant portion of the after-tax wealth that would have gone to a personal beneficiary, adds a whole new dimension to planning. Likewise, a person

knowing that he/she can assure the financial security of a child (or other relative or loved one) through wealth replacement with life insurance, may feel more secure in taking greater financial risks in return for greater financial rewards, or comfortable about using more of his/her wealth for current needs and desires.

THE THREE QUESTIONS

Of course, life insurance, as incredible as it is, should not be considered a "magic bullet" or panacea. Certainly, every member of the planning team – including life insurance agent/advisor/specialist – is bound by professional ethics to consider the alternatives. In determining which planning strategy (or combination of tools and techniques) is most appropriate, the insurance professional and other advisors should always ask, at the very least, the following three questions:

1. Which approach will result in the highest present value of capital and income for the client's family as a whole?
2. Which tool or technique, or combination of tools or techniques, will satisfy the targeted need at the lowest present value in terms of financial, psychological, and other costs?
3. Which tool or technique is most likely to actually achieve the client's objective?

THE TEN QUESTIONS THE AGENT OF THE FUTURE MUST ADDRESS

Several years ago, I discussed with my good friend, **Albert E. Gibbons, CLU, ChFC, AEP** what skills are necessary for the insurance agent of the future. He and I interviewed many highly successful professionals in the field, and this commentary is based on the results. The life insurance agent in the personal and/or estate, business, employee benefits, retirement, or charitable planning markets of the future must have a mastery of life insurance, a solid working understanding of what other advisors and professionals add to the equation, a good knowledge of how, when, and for what purpose each of the currently available tools and techniques of estate or business planning can (and should) be used, and how they can be interrelated. The insurance professional must understand the overall process necessary to help the client by addressing the following ten questions:

1. How can I help my client create the estate he/she needs if he/she doesn't have the normal or hoped-for amount of time to accumulate it?
2. How can I help my client accumulate a sufficient amount of money (after taxes and inflation) to replace or supplement his/her current income when he/she retires or becomes disabled?
3. How can I help my client avoid or defer the tax on income during his/her lifetime?
4. How can I help my client minimize costs and taxes both during his/her lifetime and after death?

5. How can I help my client avoid or minimize the forced liquidation of assets at death and minimize "slippage" so that as much of his/her estate as possible passes to intended beneficiaries?
6. How can I help my client best conserve his/her estate from both inevitable inflation and extraordinary loss from deflation?
7. When, how, to whom, and how much should my client convey assets during his/her lifetime?
8. What is the most efficient and effective way for my client to convey assets to the heirs or charities? Is the right time during life or at death?
9. How can I help my client assure competent management and protection of his/her assets during life, upon disability, or for the heirs when he/she dies?
10. How can I help my client stabilize and maximize the value of his/her business/practice and/or other assets – to solve financial problems for the client and for his/her loved ones?

THE SEVEN MAJOR SKILL SETS

To be successful, the bottom line question for insurance professionals is: What specific skill sets are needed now (and will be in the future)? Stated differently, what types of training and expertise do insurance professionals need to properly advise clients? In addition to knowledge-based skills, what interpersonal skills will be necessary to perform quality services in the most sophisticated markets for the highest net worth clients? And to what degree must product, technical, and legal knowledge, and human understanding be supplemented with experience, ethical integrity, independence, empathy, and compassion?

Skill sets are different from mere knowledge; skill sets are groups of abilities, the tasks and services we must be able to actually perform, given our knowledge, experience and expertise.

Beyond the knowledge of the attributes of life insurance as a planning tool and the ability to discern and analyze estate/business planning needs and solutions (as we have discussed at the beginning of this commentary), I posit that there are seven major skill sets essential to the 21st century life insurance professionals. I'm using the term "professionals" merely for simplicity. The following skill sets and discussions pertain to agents, advisors and specialists alike:

1. Fact finding,
2. Analysis of data,
3. Evaluation of planning alternatives,
4. Life insurance underwriting (basic),
5. Formulate and present recommendations,

6. Implementation of planning strategies, and
7. Service and review (ongoing).

You'll recognize that many of these same skills are essential to all members of the client's planning team. Of course, I don't mean to suggest that all insurance professionals will need or use these skill sets to the same degree – or to imply that this list is all-inclusive.

It is a good checklist to help insurance professionals improve the quality and delivery of their services that their clients need and deserve.

Skill Set 1: Fact Finding

Estate planning involves identifying and solving problems. The fact-finding process is one of the most critical and fundamental steps in this entire planning model. Planner **James J. Walsh** has stated that the purpose of fact finding is to obtain the essential facts and circumstances about a client, his/her family, and their objectives in an organized manner so that the data can be assembled, interpreted, analyzed, and put into a game plan proposal that defines the problems and suggests an array of potential solutions, after the advantages and disadvantages of the viable alternatives have been considered.

Because of the current uncertainties in tax law, the complexities surrounding many estates, business interests, and the interrelationship between them, and the dynamics of the people who own those assets today and the individuals who are the intended owners of the future, the insurance professionals must invest more time in fact finding than ever before.

What specific skills are necessary for the fact-finding part of the planning process?

Skill 1: Ability to obtain the necessary information from the client. An essential skill of an insurance professional (or planner) is being able to convince the client to trust the integrity and competence of the data gatherer enough to divulge pertinent facts and, more importantly, often highly personal and perhaps never before spoken fears, hopes, and dreams. The insurance professional also must be able to assure the client that facts and feelings divulged will be held in the strictest confidence.

Consider using a non-disclosure statement as part of an engagement agreement signed at the inception of the process, which helps put the client at ease with respect to a number of issues such as fees, responsibilities, and the scope of the commitment. This will help you understand the facts, the objectives, and the circumstances of the client, the client's business, key employees, and the client's beneficiaries and potential business successors. More importantly, asking these questions properly will

help you convey, and help the client understand, the urgency and significance of the business or estate planning process, as well as the importance of immediate action.

Skill 2: Ability to obtain necessary information from the client's other advisors. A life insurance professional must be able to convince the client's other advisors (after obtaining permission from the client for the sharing of confidential information) that it's in the client's (and the advisors') best interests for the entire team not only to passively cooperate, but to actively participate symbiotically in the data-gathering and analysis processes.

Analysis can only be as accurate as the information is accurate and complete. Yet each party privy to the client's business and personal affairs "owns" important parts of the puzzle without which the entire picture cannot be seen. For instance, the client's CPA may know facts about the client's personal and business cash flow that are essential for the other members of the planning team to understand.

Skill 3: Ability to listen and really hear the client. Listening – really hearing the client – is a vital skill for all advisors. The process of listening involves the skill – and self-confidence and discipline – of temporarily suspending and transferring control back to the client in order to gain insight and understanding. Interviewers often misinterpret or incorrectly record information, or bring back incomplete (or tainted) data – because, consciously or subconsciously, they are too busy trying to achieve their own agenda, rather than objectively gathering facts and feelings. Unfortunately, interviewers sometimes miss important nonverbal cues or even forget to ask key questions, because they think they don't need a data-gathering form or checklist.

Skill 4: Ability to encourage feedback. A distinct but related skill to listening is making the client comfortable in giving feedback. Attorney **Charles K. Plotnick**, for example, creates a safe atmosphere and encourages feedback by dictating drafting comments in the client's presence. Often, he'll stop and ask the client for confirmation or clarification. This quickly brings the client into the process as an active participant who not only is heard, but is **assured** he's being heard – at the very moment when being heard is important. As a result, his clients implement estate plans and purchase life insurance as part of those plans not only because they understand, but because they feel they are understood. And Plotnick's smile and affirmative body language are continual proof not only that he's alert to clients' problems, but that he's actively listening and cares.

Skill 5: Ability to obtain and maintain information efficiently. Another important data-gathering skill is to learn to use, and be able to perfect systems, checklists, and automated processes that make obtaining accurate and up-to-date policy information (including contract comparisons) from clients, insurers, and other relevant sources (such as A.M. Best) a time-sensitive, cost-efficient, and foolproof procedure (instead of a labor-intensive chore). Part of the responsibility of the insurance professional to other planning team

members is to share this carefully considered, confirmed information and analysis regarding policy or contract values, ownership and beneficiary designations.

Skill 6: Ability to communicate continually and involve the client actively. No matter what the insurance professional thinks (or knows) should be done, or how much the figures or facts indicate that there are serious problems, nothing happens until the **client** or **prospective client** sees and begins to comprehend the significance and urgency of the issue(s) that need to be resolved. This phase will never be reached until and unless the client (or prospect) becomes and remains an active participant of the planning process. If the insurance professional can use data gathering to discover what interests, motivates, or excites the client, or how he/she invests his/her energy and emotions, that process itself can be a catalyst to create a positive attitude that will assure, accelerate and enhance the benefits of planning process for the client.

Getting a client to become (and remain) involved requires an insurance professional's ability to explain the "human life value" concept (measurement of the loss, and/or the replacement cost, of the "money machine") to the client (and other advisors) and show how it affects the need for income replacement in the event of disability, retirement, or death. More importantly, the insurance professional must be able to confront a client with his/her own mortality/morbidity (or that of a loved one) in an ethical, objective, yet effective manner. "If we were gathered here today and you had died last night, what would we – your business and family financial advisors -- be discussing?" "What would we wish we had done - that we need to do now?" The answers to such questions will help all the parties recognize the potential problems and their severity.

Skill 7: Ability to know what to ask (say) (illustrate) and how to ask (say) (show) it. Being able to discern what questions should be asked or what statements should be made in a given situation, and knowing how to elicit the necessary information take knowledge, experience, confidence, and an understanding of the human psyche. It also requires uncommon common sense and compassion.

One life insurance specialist we interviewed, **John S. Clarke**, said to us, "*Fact finding is easy. Half the time, much of the information you need is already on a tax return or in an existing document, such as a life insurance application or a will. It's 'feeling finding' that's difficult—and what's really important.*" Feelings include a client's propensity for, or aversion to, various types of risk. Thus, tools must be developed or used by the insurance professional to ascertain and illustrate (for both the insurance professional and the client) the true risk tolerances of the parties involved, so that the tools used – and the tax law assumed – remain within the client's comfort range.

"Accelerating the information transfer" between the life insurance specialist and the client is part of this "knowing what to ask and how to ask it" skill. Using language or analogies that clients can readily understand, defining our terminologies immediately as we use them (e.g., "a Crummey Power means..."), and using colored graphs and flowcharts, stick diagrams, simple examples, and one- or two-page summaries can greatly facilitate the intellectual and interpersonal, as well as the mechanical aspects of the planning process.

Skill Sets 2 And 3: Analysis Of Data And Evaluation Of Planning Alternatives

Skill 1: Ability to create a systematic approach to identifying and solving problems. Attempts to solve each estate/business planning case without a method and overall game plan often prove highly inefficient; too much effort is generally spent trying to think of what to do next – and how to do it. A systematic approach streamlines the process and saves the insurance professional time and the client money.

Usually, it is a quality control method that makes it possible to discover (fairly quickly and early in the process) the problems that might otherwise be missed, and to develop creative solutions that otherwise might not have been considered. An example is the ability to do a quick hypothetical probate, which helps illuminate for the insurance professional and demonstrate to the client the congruency, or lack of congruency, between the desired and the likely results, on a "the way things are today" basis.

Skill 2: Ability to interrelate a multiplicity of disciplines. The life insurance professional cannot afford to think that possessing an expert knowledge of insurance and annuity products or securities is sufficient to take the data received and arrive at viable estate planning solutions. He/she must be able to integrate a strong working knowledge of personal and business property, succession, probate, tax, ERISA, securities, and related laws, as well as planning techniques, with the life insurance background in which he/she is well-grounded.

Skill 3: Ability to place boundaries and guidelines on the use(s) of life insurance. Among the biggest dangers in any specialty, particularly one involving a product (and especially a product whose sale leads to a commission for the individual or the firm), is the loss of perspective and objectivity. It is essential that the insurance professional develop a mental framework and strength of character to test the appropriateness of life insurance and annuities to meet a specific planning objective. As the authors of **Tax Planning With Life Insurance** state:

"Three general branches of analysis must be made. First, the planner must consider what functions life insurance and annuities may and should serve (and what they should not). Second, the planner must consider what factors affect the amount of life insurance, if any, the client and the client's family and/or business needs. Third, the planner must consider the various types of life insurance products that may be used to solve a particular problem and analyze each individual product for its suitability.

*In short, it is essential to **match the product to the problem**. The planner must also consider the advantages and disadvantages of the various viable alternatives to life insurance in the specific circumstances, and which alternative or combination of tools and techniques will most probably provide the client and the client's family with the desired financial and psychological security at the least possible cost—and is most likely to actually be quickly and easily implemented in the situation at hand."*

Only after it has been determined that an insurance product is a viable planning solution, then should the insurance professional begin to consider sub-issues, such as: should insurance be purchased, how much, from what company, what policy should be purchased, who (or what type of entity) should own the policy or contract, how it should be owned, the beneficiary designation, who should pay premiums, and what is the most cost-effective way to pay premiums.

Skill 4: Ability to work with basic actuarial principles. In order to compare various products or prepare creative solutions in the insurance field, an insurance professional must have a working knowledge of how to use (at the very least, basic) actuarial principles. Understanding the impact that mortality, interest assumptions, and "loading" (assumed costs) have on pricing, product structure and performance, and their interrelationship is only the beginning.

Although the measurement of the amount of life insurance needed in a given situation is usually more art than science, the ability to create realistic (read: objective) parameters and reasonable guidelines is an essential skill of the life insurance professional.

Skill 5: Ability to use computerized programs or spreadsheets to model hypothetical scenarios. To a great extent, it is impossible to be a competent insurance professional without the ability to work with, for example, Excel spreadsheets, to do mathematical product comparisons. This may also involve a mastery of software that will generate projections based on present and future value formulas.

Full blown estate and financial planning software such as **NumberCruncher**, which is used nationally by the IRS, will be highly useful to sophisticated insurance professionals in working out "what if" scenarios. Calculations for charitable remainder and lead trusts, payouts to donors, charitable income tax deductions, private annuities, installment sales, GRATs, QPRTs, and other time value of money, as well as life expectancies/probabilities are easily obtainable.

Skill 6: Ability to quickly obtain, select, file, and retrieve tax, legal, product and other related information. Years ago, our problem was getting and finding information pertinent to the demands of our practice. Now, our major challenge is to avoid drowning in it. As a result, cost-efficient storage, retrieval, and assembly of time-sensitive information and material are no longer optional; for insurance professionals, these are imperatives. At the very least, they will need to create paper-based solutions, such as "double-barreled" filing and retrieval systems, in alphabetical and numerical order.

At the next level, insurance professionals must maximize the use of large storage and high speed computers, coupled with paper and electronic scanning systems, and various forms of data base and search engines to make "super-file cabinets" in order to find what's needed when it's needed. The book Tools And Techniques Of Practice Management will be of great help in this regard.

Likewise, insurance professionals must learn to access the various services now available through the Internet to "deliver milk – in the flavor of your choice – to your door." For example, you can now go on the web and, through your choice of preferences, receive almost daily e-mail that keeps you informed instantaneously of the latest cases, Regulations, and rulings on specific areas of the law – and simultaneously gain access to the actual text of the ruling or case and ruling commentary. (Alternatively, you have the option to receive a summary of all the news on a weekly basis, and then select the item/topic you want to review.) This state-of-the-art selectable 24/365 information service has an extremely fast and efficient search engine as well. It will help you locate not only a case or ruling on point but also links to other web sites, a PodCast, or Journal article on your topic.

Additionally, insurance professionals must learn to use not only study groups and personal networking, but also the many professional organizations' e-mail discussion groups. You will discover the incredible power of sophisticated professional discussion groups for sharing new ideas, planning issues/problems, creative solutions, and people and product resources. It is astounding how quickly useful information can be built into viable solutions when dozens or even hundreds of minds across the country focus almost instantly on specific issues. This ability to use technology to collaborate with peers and experts from other disciplines, and to network with other professionals on the client's behalf to solve problems and develop state-of-the-art solutions, is already an essential skill.

Skill 7: Ability to work effectively with the entire planning team. The life insurance professional has both a leadership and cooperative role in providing value-added to the planning team by supplying objective and well-considered input about the client and the client's family and business. He or she is in a unique position to share in-depth knowledge of life insurance as a tool and how it complements the other tools to be used, and thereby help the entire team of professionals further the achievement of the client's goals through constant and considerate communication. The development of meeting agendas and the use of other mechanisms to create synergy and assure closure and action are essential skills of an insurance professional.

Skill Set 4: Use The Underwriting Process As 'Mortality Management'

In discussions with **David Solie**, creator of **RiskTutor, Inc.**, a web-based interactive underwriting assessment and management tool, it became apparent that, as a skill set, the ability to master the underwriting process is vastly underrated and poorly understood, but critical and unique. As the list below indicates, the insurance professional's responsibility extends well beyond merely securing the best "offer/rating" possible for the client after having identified a slate of generally sound and reputable insurers.

Skill 1: Ability to elicit from the client, and quickly profile, any medical problem or related underwriting risk. One of the insurance professional's unenviable tasks is to quickly assess the client's underwriting risk status. He or she must obtain information about the client's medical or health-related issues as quickly as possible – with four or five questions specific to that medical condition.

Ben Baldwin, in his American Bar Association book, **A Lawyer's Guide to Life Insurance** and **The New Life Insurance Investment Advisor**, makes the astonishing statement that two-thirds of the people who have ever reached age 65 from the beginning of time are alive today! There are a lot of people on the face of the earth, many of them in the later stages of life.

Demographics will obviously force insurance professionals to deal with an aging population that is living longer than ever before, with a consequent degree of medical problems never before seen. Knowing specific questions to ask with regard to a given medical condition and how to ask them are essential skills (some may call them "talents"). A corresponding part of this skill is being able to impress upon the client and other advisors of the importance of managing the risk and to help them understand the unique implications of medical problems – both upon policy issuance, the cost of life insurance, and on almost every other aspect of the planning strategy.

Skill 2: Ability to prepare a client and advisors for the possibility of unfavorable offer. The insurance professional is the one who has to prepare the client and other advisors that the insurance may not be issued at standard rates, or may not be issued in the amounts or under the terms the client had anticipated, or in the worst case scenario, may not be issued at all. Without a doubt, the inability to obtain insurance in adequate amounts will have a profound, adverse impact on the overall planning strategy. Similarly, much higher than expected premiums may force a reduction or elimination of other **planning** alternatives. And the devices typically used in a sophisticated estate plan (e.g., GRAT, CRUT, CLT) will often not work as anticipated because of the specific mortality or morbidity characteristics of the client; while others, such as a private annuity, may work better.

In any of these situations, all the members of the team must be informed and cognizant of the possible implications of serious medical problems, within the bounds of proper disclosure of confidential information. It is also important to remember that through careful and diligent searching, it is almost always possible to obtain insurance coverage even for someone who is considered, by many insurers, uninsurable – sometimes at surprisingly favorable rates.

Skill 3: Ability to compile complex medical information and efficiently present it to insurers. In collecting the necessary medical information to be presented to the insurers for evaluation as to whether or not the client's case is viable (and, if so, under what terms), the insurance professional must also try to assess very rapidly the degree to which the facts of the case would be viewed as encouraging or discouraging. This entails the creation and/or use of an underwriting system comprised of (at least) forms for organizing and sending clearly stated relevant information to a number of insurers quickly and inexpensively.

Skill 4: Ability to make a "best possible outcome" presentation of facts. To the extent possible and practical, an insurance professional may have to combine the efficiency of technology with personal and expert experience in order to summarize opinions gathered from a number of insurers and create a "best possible outcome" presentation to a specific insurance company. Although it is impossible to change the reality of a client's physical condition, it is possible to use research to help the insurer's underwriting department arrive at the most favorable possible decision or offer with respect to those facts. For instance, assume a client has had an angioplasty. By showing that the client had had a stent put in, the prognosis (life expectancy) of the client has improved. Knowing why, where, and how to gather the appropriate documents and do the proper research is a basic part of this skill. It is also possible to create a competition between insurers for a "best offer."

Skill 5: Ability to impress upon a client in less than standard health of the urgency of action. The insurance professional must be able to convince such a client that time really is of the essence, and why it's important to act quickly on the contractual offer available.

Skill 6: Ability to create an ethically proper 'best-foot-forward' medical examination strategy. Even a person in perfect health needs an insurance professional's guidance, wisdom, and experience regarding how to take the medical exams and tests for large amounts of life insurance. But his or her role in preparing a client for an insurance examination is particularly vital when the client's health falls below standard limits.

Skill 7: Ability to identify and confirm insurers that are both competitive and financially sound. The ability to cost-effectively search for the best possible offer in each case is critical, because no one company always provides better offers than the others. Developing and maintaining a network with other professionals is key to learning which companies may provide a more favorable contract or more favorable terms/provisions than others for certain impaired risks.

Skill Set 5: Formulate And Present Recommendations

Skill 1: Ability to help a client quantify and confirm goals. Members of the planning team and, most importantly, the client first must succinctly state in writing, and then confirm various planning objectives. For instance, the statement "I want financial security for my family if I die" isn't a goal; it's a dream. It needs to be quantified in terms of dollar amount. Once that number is confirmed, both the planning team and the client need to know if there is a discrepancy between what the client needs or wants to have happen, and what is likely to happen if nothing more is done. This requires more than mere number crunching; it again requires the skill of quantification. That also entails forcing upon a client an element of realism about long-term after tax growth rates, cost of living assumptions, and longevity estimates, as well as the ability to factor in the "unexpected."

The client's degree of dissatisfaction with any resulting discrepancy will determine both the success and the speed by which the rest of the process is accomplished. Then, the insurance professional must be able to reduce these intangibles to numbers, or in writing in the form of quantifiable objectives (i.e., specific, reachable and understandable).

Skill 2: Ability to develop a strategy for purchasing and using insurance to accomplish the specific goal. If one of the recommended solutions is to form a family limited partnership (FLP) and to gift limited partnership units to heirs (at a discount), and the other device is the purchase of life insurance, then specific costs and benefits (and risks, if any) of each device must be clearly demonstrated. The insurance professional must be able to help the planning team decide, for example, if the insurance should be owned by an irrevocable trust and by an FLP? Or, can the trust be a limited partner of the partnership and use its income from the FLP to pay insurance premiums on the policy it owns on the grantor/general partner's life (thereby eliminate the need for ongoing gifts for annual premium)?

Skill 3: Ability to select appropriate insurance carrier for the client. This requires an insurance professional to measure and understand the client's risk tolerance. Some clients (and their advisors) want to deal only with well-known insurers that receive the highest financial strength ratings from commercial rating services (such as S&P, A.M. Best, Weiss). Other clients, in return for possibly more liberal underwriting or better performance (such as lower policy charges, lower premiums, and higher interest rates), may be willing to accept a slightly lower rated – yet still highly stable – insurer.

Skill 4: Ability to select appropriate products. The selection of the appropriate insurance product is more than a mere comparison of two or three policy illustrations in a search of the lowest possible cost or the highest possible values at a given point. Product selection involves the ability to match the policy to the planning objective it is intended to meet. For example, if it is essential to be able to "split-dollar" the policy, an ideal policy should be one that would generate a high cash value as early as possible, so that

an exit strategy may be implemented. This may entail a very different product design than the type of policy that would be used to provide a "guaranteed" death benefit (with minimum premium outlay and/or cash value) for estate liquidity needs only.

Skill Set 6: Implementing The Plan

Skill 1: Ability to initiate, facilitate, coordinate, and expedite the overall planning process as either leader or team member of a cooperative group of professionals. One of the planning team members should take charge and be responsible for the oversight of the entire planning process from start to finish. The identity of this person will differ from case to case, depending on the professionals' personalities, closeness to the client, and other factors. What is important is that the planning team agrees that a designated person take the overall responsibility. In many instances, that person will be the one who initiated the process, often the insurance professional.

Skill 2: Ability to develop and use tools such as an "action matrix" to track progress of planning process. Let's say the insurance professional is the team leader, he or she should use an "action matrix," and assign responsibilities among the various members, together with time-lines and a procedure for constant review among the entire group so that nothing "slips through the cracks." All too often, no one on the team serves as "reporter," to summarize who is to do what – and no one keeps overall track of the progress of the plan. An "action matrix," circulated among the team members wherever a notable change (such as an increase/decrease in premium or insurance amount) occurs (or at least every month, for example) until all important tasks are completed, is a remedy for this problem.

Skill 3: Ability to summarize and present the total plan in a relatively simple and understandable format. Few clients want or have time to study reams of ledgers, spreadsheets, and 100-page proposals. Insurance professionals must be able to capsize complex, lengthy and interrelated concepts, and summarize them in relatively few pages through charts, graphs, and clear and concise text. The key is to present the shortest possible summary that empowers the client with sufficient information to make an intelligent, informed decision, and encourages the client to take prompt action.

Skill 4: Ability to use computerized graphics and presentation tools to facilitate decision-making. Because decisions about highly sophisticated planning techniques will be made more often in concert with other advisors, the insurance professional must be prepared to use PowerPoint or other such software programs to create and show reports that can be acted upon simultaneously by multiple professionals. Reports must be clear, understandable, and accurate presentations of the problems, and must demonstrate how each suggested solution addresses the client's needs and concerns.

Skill 5: Ability to do more than merely pay attention to details, the ability to get done what was promised. Meticulous checking of such details as ownership and beneficiary designations, making sure that Crummey letters are sent to the proper persons in a timely manner, and seeing that buy-sell agreements and corporate minutes are drafted and signed, must be part of the process for ensuring that necessary tasks are completed.

Skill 6: Ability to bring closure to the decision-making process. Regardless of how ethical, intellectually correct, and even creatively brilliant the estate planning team has been up to this point, its efforts are worthless if the client doesn't act on those things that must be done to achieve his/her stated goals. The insurance professional must assist this closure process by joining the other professionals in making empowering recommendations that give clients not only understandable, informed, and clear choices – but also their professional opinion as to which choice(s) would best suit the client's planning objectives.

Skill Set 7: Servicing And Reviewing The Plan

Skill 1: Ability to develop and maintain a client data base. Generally, all client files should be reviewed at least once every two or three years. But some clients need consistent intervention, while others require only occasional review. Therefore, tailoring procedures for reviews, follow-up calls to the clients based on their particular facts and circumstance, rather than to chance or only to an automatic schedule, is essential.

Skill 2: Ability to create a cost-effective system for monitoring and uncovering changes in the client's (or client's beneficiary's) circumstances or goals. For instance, suppose a client originally needed life insurance for income replacement purposes in the event of premature death, and to provide liquidity for a relatively small estate tax exposure. Assume the client has become wealthy from the sale of her computer business and now desires to use insurance to provide for estate liquidity needs. The policy may be converted to provide permanent coverage for long term needs.

Skill 3: Ability to reevaluate existing insurance coverage. Assumptions in insurance product illustrations are just that. As current costs, interest rates, and investment returns change, the insurance professional must constantly monitor and re-examine the actual operation of the insurance contract in light of those changes. The financial strength and management of the insurance company must be continually re-assessed. The appropriateness of the policy for its role in the estate or business plan must also be re-evaluated. Is the policy doing what it's supposed to be doing? What are the variances between the projected performance and actual performance of the policy? Would adjustments, such as higher premium amounts, be required in order to maintain the coverage? Or, would it make more economic sense to obtain additional coverage, or exchange the existing policy for another?

HERE'S YOUR GAME PLAN:

What life insurance professionals should do to remain successful?

Re-position yourself. An insurance profession's publicly-recognized specialization and peer-acknowledged strength in a single professional area can command an "expertise premium." But when that strength is concentrated too narrowly in one segment of the tax law or one market sector, there is an increased downside risk of technical obsolescence. Public lethargy with regard to estate liquidity needs (triggered by calls for an end to the "Death Tax" and false hopes and wishful thinking that it will happen) undoubted causes a temporary downturn in demand for your services and insurance products – whether or not that complacency is founded on reality or common sense.

True, the "flying pig of repeal" is, at least at this moment, just that – a hope that should be counted on only by those who are certain they will die in the year 2010, or that magically the necessary 60 votes in Congress will materialize at the very moment when the country is experiencing the largest deficit in its history (or anyone else's history). It is my firm belief that our wealthiest clients will continue to need both state and federal death tax liquidity for some time to come.

On the other hand, with inevitably increasing applicable exclusions, currently \$2,000,000 per person but likely to go higher, it is also true that in the next five years, the likelihood is that far fewer individuals will need life insurance to provide liquidity to pay federal estate tax than in the past, and those who do will need more modest amounts. The "mass affluent" and many of the "core affluent" have already been, or will be, removed from the reach of the federal estate tax. Thus, it makes strategic sense for insurance professionals to re-direct their energy in order to expand the extensive knowledge skills necessary to succeed in broader categories of estate and business planning.

If you haven't already, now is the time to increase expertise in business, retirement, employee benefits, and financial planning – and think beyond providing insurance merely to meet federal estate tax liquidity needs. As a practical matter, the increasing cost of living and the more expensive life styles those same "mass and core affluent" have become accustomed to, coupled with far lower returns on capital than ever before, will require far greater amounts of life insurance merely to maintain their families' financial security.

Plan to plan ahead. You may not be able to see all the forces of change. But if you schedule time for an annual or semi-annual strategy meeting, many of the forces of change can be seen years ahead of when they arrive.

Whether or not they can be seen, they will arrive – and they will have an impact on your professional life. Create a game plan to deal with a change in tax law that could severely affect or have an adverse impact on the major area in which you practice. Don't allow yourself to become complacent about, or comfortable with, concentrating or depending on one set of tax rules – no matter how “solid” or “consumer oriented” they may seem. For instance, don't base all your sales efforts on 412(i) or 419 or other Code Section oriented plans. Why not? Because there is no “bullet-proof” or protective Code section. Demands on the federal fiscal budget and changes in political priorities or parties can result in sudden, unexpected, and mass changes – even where sacred cows are concerned.

Train your mindset to expect change. Tax law change is no longer a once-every-15-years or once-every-seven-years phenomenon. And it is no longer the product of years of deliberation in Congress. Tax law is now more of an expression of political direction and will. This means it's not only subject to change – substantially – every time the balance of power in Washington changes; it also means tax law will change! In an interview for Keeping Current, Lee Slavutin encouraged a strong willingness to embrace change. Develop an “early warning” system that helps you keep your ear to the ground for what's coming.

Remember that there's much, much more. Life insurance planning should never be totally dependent on, or driven by, tax planning. Life insurance (and in many cases, permanent coverage) was needed before EGTRRA – and will be necessary after it, for: (1) buy-sell planning; (2) nonqualified deferred compensation; (3) death-benefit-only plans; (4) payment of debts; (5) maintaining the survivors' standard of living; (6) equalizing inheritances; (7) key employee coverage; (8) wealth replacement in a charitable giving context; (9) replacement of loss in asset value due to income taxes on receipt of IRD (income in respect of a decedent) items such as IRAs, 401(k)s, and pensions; (10) federal estate taxes; (11) state death taxes; (12) reducing or eliminating intra-family conflict, e.g., by providing separately-owned life insurance for the current spouse and for children of previous marriage(s); and (13) meeting capital gains income tax needs.

As noted attorney **Jonathan Blattmachr** has said, “Life insurance is the only asset that is certain to work in a time of great uncertainty!” He's right! Under current law, only life insurance – with certainty – provides income-tax-deferred growth (assuming a non-modified endowment contract), as well as an income-tax-free death benefit (assuming no transfer for value), and can be arranged to be both federal and state death-tax-free. It is the only asset that can provide estate liquidity if there is an estate tax, and income tax liquidity if there is a capital gains tax at death (due to repeal of the step-up in basis and the implementation of “modified carryover basis” for 2010). Consider how many of the “mass affluent” have a very large portion of their liquid holdings in tax-favored retirement and 401(k) accounts that are IRD items subject to income tax.

NOTE: Ironically, as long as Code Section 101(a) remains in place, income-tax-free life insurance is the only asset that can pay the tax on ultra-large IRD items without triggering a tax, because other assets would have to be sold and any gain would be realized, so that only the net value would be available for liquidity purposes. Gradually, life insurance will become even more popular as a tool to replace the wealth removed from a person's estate by income taxes, particularly income taxes on perhaps the largest single asset most clients have – their IRAs and 401(k)s and qualified plans.

Do a better job interviewing the client. The key to the success of the insurance professionals of the future is the same as it should have been in the past: a more in-depth knowledge of his or her client's (and the client's family's and favorite charity's) problems, needs, circumstances, objectives, and desires. This requires that you learn and use better interviewing techniques. You need to ask more questions and better questions. You need to ask those questions more skillfully.

You need a systematic approach to analyzing and using the data you have gathered, and reassembling it into understandable solutions to problems the client perceives are real and have both importance and urgency. You must sharpen your questioning and listening skills. You need to design (or adopt) a more efficient approach that will help you quickly identify the client's needs (or planning gap, if any), establish objectives, and give first priority to those the client feels are most essential.

Build more flexibility into your plan design. Emphasize financial and personal objectives other than saving taxes. Tax saving has become a moving target. There's no question in my mind that in the long run – to the extent possible and reasonable – Congress will move to reduce the overall level of tax burden on citizens and businesses. And it will aggressively act to eliminate “bleeding edge” tax-oriented schemes involving hyper-technical interpretations of the tax law.

For the insurance professionals, their focus should be shifting more and more to helping clients achieve financial security and attain economic goals for themselves and their loved ones, rather than helping them merely save taxes. Cookie-cutter approaches to planning are passé. The word “irrevocable” should be used more carefully and less often – and should be used more frequently in conjunction with terms such as, “here are your options” and “exit strategies.” Insurance professionals should depend less on packaged sales or preconceived sales advice, and focus more on in-depth interviews and gaining greater knowledge of the prospective client's and client's family and business.

Review and question everything. If you haven't checked, how do you know? Each new tax law demands that all of your estate/business planning clients review their situations. In a few cases, premium reduction or policy repositioning may be appropriate. Check to see how soon the client's insurance policies – under current assumptions – can reasonably be expected to become self-sustaining.

Should a policy be replaced (or converted)? To what kind of policy? If term insurance is appropriate for a particular client, what kind of term best meets his or her needs?

Create a "new and improved" policy suitability guideline. More than ever, insurance professionals must "match the product to the problem" – and the needs, circumstances, and objectives of the parties, as well as make sure the "forms match the facts."

Market conduct issues associated with appropriateness and flexibility will become a major item in an era of rapidly changing estate and generation-skipping transfer tax law. (Will gift tax law remain the same?) Set up a checklist and quality control system for determining the suitability of a particular policy (or more appropriately, a portfolio of policies) that best meets a client's (and/or client's business') needs and circumstances. Additionally, create a policy preservation letter that explains the pros and cons of making changes in a volatile tax and economic environment. Monitor more carefully the cost/benefit ratio of various types of policies.

Clients must adjust their ability to handle and live with changing circumstances. This flexibility is now paramount and must be considered in product selection. Can the client quickly and painlessly increase premium outlays and death benefits to match changing liquidity and other needs over time? This suggests the need for highly flexible products as well as careful documentation of product selection. Therefore, insurance professionals must establish and maintain more sophisticated information filing and retrieval systems that can easily and rapidly pinpoint clients whose insurance portfolios may need review.

Communicate more often and more selectively. Make a personal call to your top 20 clients and their other advisors to discuss the implications of changes in the law. Place a memo about any major new (or change to existing) law on your website (if available) and, by e-mail, invite your clients to learn more. Or, send letters and prepare a newsletter that describes the new law (or change) and its ramifications.

CONCLUSION

The 21st century life insurance professional must embrace a strong set of ethical and moral values, possess experience, integrity, and independence, and continually add to these qualities a growing number of skill sets in order to successfully and professionally serve today's high net worth personal and business clients.

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