by Barry J. Fisher

If Necessity is the Mother of Invention Simplicity is the Father of Sales Success!

Economic uncertainty has done one good thing for the life and long-term care insurance business: the need for planning has increased. Many consumers have learned that they cannot use their home as a personal ATM machine or rely on their 401(k) plan. A 2010 survey by Age Wave (Ken Dychtwald, Ph(D) reveals the following:

- All age cohorts are worried about becoming impoverished: 50% of Silents (ages 65-85), 55% of Boomers (age 46-64), 63% of Gen-X'ers (age 34-45), and 53% of Millennials (ages 23-33).
- Their greatest fear is having a long-term illness.
- They don't want to be a burden on their family.
- The top worry for the age 55+ group is having medical expenses not covered by insurance.
- Alzheimer's Disease is their greatest fear.

Being able to pay for the unexpected costs of acute and chronic illness is a generational concern with far-reaching effects. With the pending collapse of the social safety net, more people will rely on their families physically, emotionally, and financially.

Until recently, agents and consumers have been somewhat limited in the insurance tools they could use to solve this risk-management problem. And, while traditional long-term care insurance has the best benefit-to-cost profile, the product is not attractive or suitable for all. How many times have you heard the following objections? "What if I never need long-term care?" or "I'll set aside some money in a rainy day fund." "I have limited funds, so I need to choose between life, disability and long-term care coverage."

While we often comment that traditional long-term care insurance market penetration has stagnated at 7% to 9%, a closer examination points to a different conclusion. Maybe we've done a better job than most people think. Consider this: a percentage of the population can self-insure the long-term care risk. It may not make economic sense, but they can. Then, at the lower end of the income/asset spectrum, LTCi is unaffordable and inappropriate. They will be forced to rely on what's left of the social safety net. Today, most traditional long-term care insurance is purchased by people in their mid-50s who are planners, reasonably affluent, and business owners who are taking advantage of the tax advantages of traditional products. This is a great market segment and we've done a good job for these clients.

However, two significant market segments continue to be underserved:

- Affluent people (average age 67) who have said no to traditional LTCi because they think they won't need long-term care or they are willing to self-insure part of the risk.
- Middle-class people who know they need life insurance and liquidity for a chronic LTC illness and a critical or terminal illness as well in some cases. These clients can benefit by making their premium dollars multi-task.

Today, consumers can choose from a growing variety of life insurance products that will accelerate the death benefit in the event they need long-term care. Each of these products is suitable to a distinct market segment and the option is not between traditional LTCi and life insurance with accelerated benefits: the choice is between self-funding the risk or leveraging assets or premium dollars to do part of the job.

> *Learn to identify the client's exact circumstance and match the solution to their needs. It all starts with a simple straight forward question, "Have you taken care of your long-term care planning?"*

At this point most agents are asking, "Which is the best choice?" The better question is, "Which is the most suitable solution for my client?" When it comes to LTCI, the word "best" is subjective and often hinges on the planner's prejudice. "Suitable" or "appropriate" rests on the prospect's age and health, ability

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to support the premium required, and other financial considerations. With this in mind, let's review the target markets and the long-term care planning solutions best suited to their needs.

Traditional Long-Term Care Insurance

As mentioned earlier, traditional products are best suited and embraced by the following types of consumers:

- People in their late 40s to early 60s – average age of issue is 57
- Those who are upper middle-class and affluent planners -- people who are willing to pay the premium required for comprehensive peace of mind
- Those for whom $3,000 to $5,000 per year per insured won't change their lifestyle
- Business owners who take advantage of tax-deductible premiums, tax-free benefits, and sometimes simplified underwriting

If you have a prospect or client who fits this profile, they need to look at traditional long-term care insurance. The benefit-to-cost ratio cannot be beaten. They should consider a minimum pool of money of $300,000 ($6,000 per month benefit) and 5% compound protection. Several top carriers are "refreshing" their new business rates, so now's a great time to ask the question, "Have you done your long-term care planning yet?"

Single Premium Linked-Life + Chronic Illness Riders

One group of affluent consumers has considered traditional long-term care insurance and said no. Here are the common objections:

- What if I never need long-term care?
- Maybe I should self-insure the risk.
- At this point in my life I just don't want to pay an annual premium.

There is good news for these consumers: single-premium life insurance policies with accelerated benefits for chronic illness. The profile of these prospects, according to one of the leading insurance carriers, is as follows:

- Ages 62 to 85 -- average age of issue 67
- The value proposition of traditional LTCi does not resonate with them.
- $800,000 of investible assets.
- They are willing to self-insure part of the risk have and set aside $100,000 or more in a rainy day fund for medical or long-term care expenses.
- They have old cash-value life insurance policies they can 1035 exchange.

Prospects or clients with this profile are open to repositioning rainy day fund into a single premium UL or WL product that will provide them with a tax-favored life insurance benefit and some coverage for long-term care expenses. While the benefit-to-cost ratio of this long-term care planning solution is not as robust as a traditional policy, it allows this consumer to leverage their cash for LTC expenses and leave something for their heirs if they don't use the policy.

Aim for the Big Target in the Middle!

As a trained life insurance agent, I was stunned to learn from a 2010 LIMRA study that life insurance ownership is at a 50-year low, even though interest among consumers is at a 50-year high. LIMRA's conclusion was that the middle market, which makes up 42% of the population, is woefully underserved by an aging and shrinking life-insurance sales force. LIMRA believes that this mid-market gap will be filled by financial planners, health insurance and property casualty agents and community banks.

How does LIMRA define the middle market?

- $50,000 to $250,000 annual income
- Less than $1,000,000 of assets

In a follow-up study, this year, Genworth Financial found the following:

- 40% of married households have no life insurance
- 69% of single adults with children are uninsured
- 33% of those who do own life insurance purchased their policy more than 10 years ago
- 60% want to meet with an advisor to help them
- 88% wanted help determining their needs

An example of this consumer is the school teacher or supermarket clerk who is married to the fire fighter, truck driver, or small business owner. They have children and struggle to make ends meet. They want to plan, but they have limited discretionary income and must choose among life, disability, critical illness, or long-term care insurance. The good news is that you can help these mid-market consumers with high quality life insurance products, some of which offer accelerated benefits for chronic (LTC), critical, and terminal illness. In essence, these policies allow middle-class consumers to make their premiums multi-task.

It is really quite simple. We should continue to help consumers plan for the probability of needing long-term care. Greater sales success will come if we expand our thinking beyond traditional products and market segments; learn new planning options and technologies; and implement a systematic marketing plan to existing clients and new prospects. Agents need to become fluent in long-term care planning. This doesn't mean that you need to be an expert. There are many resources that can provide you with the basic tools and knowledge.

Finally, don't be a product zealot. Traditional and linked long-term care planning options are suitable for specific consumers. Learn to identify the client's exact circumstance and match the solution to their needs. It all starts with a simple straightforward question, "Have you taken care of your long-term care planning?" ❑

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