



# Legacy Planner

Retirement • Income • Medicare

## Winter 2017 | Contents

- 1 Do I need life insurance?
- 3 Case Study  
Ask the Professional
- 4 Recipe:  
Cheeseburger Soup

## Do I need life insurance?

By Raymond Loth

Life Insurance can be rather complicated but clearly serves an important purpose for families. A person's need for life insurance varies over time. Let me touch on the two main types of coverage, and then some of the purposes served by them.

The two main types of policies are typically referred to as "Term" and "Permanent" coverage. While there are variations—primarily to "permanent" coverage like whole life, universal, indexed, variable, etc.—in this article I will keep it general.\*

**Term coverage** is typically established for only a set term of years, although some have an (expensive) option to convert to permanent later. Term insurance is often referred to as pure insurance and will typically get you the highest death benefit for the least amount of money. The vast majority of term policies, estimates vary around 3 to 5%, never pay out the death benefit. Similar to auto insurance, with term life we can count our blessing if we didn't have a claim!! I really like term for young breadwinners on a budget (see #1 below).

**Permanent coverage** provides longer and multifaceted benefits, some of which are touched on below. These policies continue beyond any set term of years as long as premiums

are paid. I feel that the cash value component of permanent insurance is sometimes misrepresented by agents. I commonly see people, especially young breadwinners, with what I consider to be poorly constructed permanent coverage. None the less, properly placed permanent policies do provide many excellent benefits.

**There are multiple different purposes for coverage.** Some of the more common reasons for coverage include:

- (1) income replacement for loved ones at death
- (2) living benefits to the insured through included riders
- (3) possible buildup of cash value for access by owner
- (4) wealth transfer of your assets to loved ones at death.

Let me address these individually:

**(1) Income Replacement.** This coverage is typically much less expensive with term insurance. The need for this coverage typically varies over time as someone marries, has a child, has another child, increases income/standard of living—and then the scenario/need for coverage may start to reverse. Hence the need to review your coverage as time goes on. A healthy 30 yr. old male can get a 20 yr. \$250,000 term policy for about \$14/mo., \$500,000 for about \$22/mo. —pretty cheap! Females are even lower in cost. I would suggest that

*"Do I need life insurance?" continues on the next page.*

*"The search is on for ways to seamlessly convert some or all of your 401(k) assets into guaranteed lifetime income. IRS recently cleared the way for target-date funds inside a 401(k) to make deferred annuities a default option." —Dan Kadlec, Time, February 22–29, 2016, p. 92*

## Case Study

This case study takes a look at the summation of how things played out recently for the beneficiaries of a family we have worked with for a number of years.

After initial consultations this client incrementally transferred \$300,000 according to my recommendations. With some good growth and increasing confidence in my integrity the individual continued to seek suggestions for additional funds eventually leading to another \$400,000 being set up in principal protected safe growth accounts.

Since it was clear that the individual did not intend to use most of these assets but rather envisioned them ultimately for the kids, we implemented strategies with a portion of the funds that were more directed for wealth transfer, including single premium permanent life insurance (see main article). This approach also provided a significant amount of additional funds to be available should the individual need long term care. The majority of the funds however were placed in fixed and indexed annuities, principal protected accounts of varying lengths allowing ample liquidity.

I was very saddened to learn of the passing of this client. I very much enjoyed our relationship over the years including morning coffee together during our periodic reviews. Much more so my heart went out to the children. The point of this case study is to demonstrate that things worked out financially as intended and as I had explained to my client.

After less than 5 years (on average), the total payouts from the original \$700,000 came to over \$970,300. These planning strategies resulted in an overall ROI (return on investment) of over 7.5%/year (the ROI for the non-life insurance accounts only was still over 5%). The life insurance portion of these payouts was free of income taxation, resulting in an even higher net return.

A significant point is that annuities and life insurance pass to the stated beneficiary(s) outside of probate. That provides for a simple payment to stated beneficiaries without attorneys or court involvement! Imagine the relief and reduction in stress for your spouse or children that provides during such a difficult time. In this case all the companies sent out payments within 6 to 23 days.

Like many people, this client was looking for safe growth alternatives and planning specific to their needs and objectives. In the end we were able to achieve exactly what was desired and promised: principal protection, attractive growth, accessibility/liquidity, LTC type benefits, an emphasis on wealth transfer. This is part of the Legacy Planning and relationship building that we do with every one of our valued clients. —Raymond Loth

## Ask the Professional...

*I was told that I should ask you how much commission you make.*

With annuities, commissions are paid to the agent based on how much money is put in the account.\* The actual percentage varies greatly based on a number of additional factors including: age of client, type of account, length (in years) of the account, and if it is a new or already established account. I have seen commissions range from 0.8% of deposits ("premiums") to 7, 8% or even more. The reason companies pay upfront is because that is when they receive your money. Those commissions come out of the companies' earnings and not off of your contract value. So 100% of your money is put to work for you.

Since the agent typically gets paid upfront a very important question is: Is the agent going to be around AND make himself/herself available to help you after you open the account? If so, then a 5% commission for a 10 year account equates to 1/2% per year, which in many people's minds is not excessive.

So, will I be around? Yes. Our business continues to do well with sales and profitability for 2016, well-exceeding 2015, as has been the case every year since 2009. I have every expectation and intention of being here to care for your needs for many years to come.

How about service? I hope you have experienced that my approach is not just to set you up with an account and then provide the company's 800 number for you to call with your questions! I feel a responsibility to keep in touch with and provide service to my clients as the years go by. Melissa assists me greatly in this work.

I am also aware of the fact that good service is good for business and generates referrals as well as additional business from established clientele. I was amazed to find that during 2015 and 2016 over 90% of the new funds that went through our office was from already established clients! I would like to sincerely thank you for your loyalty to me and ongoing business. That indicates a favorable level of client satisfaction with both the performance of your accounts as well as the level of service that we have provided.

At the same time I realize that we live in a world where expectations are high, relationships are dynamic, and I have to continue to earn your trust every day! That being said I will endeavor to continue to improve and do my best in this regard...and therefore earn, not just the income I receive, but your trust, confidence, referrals and continued business! —Raymond Loth

\*This article pertains primarily to retirement planning accounts. Medicare Supplement and Advantage commissions vary and typically fall in the range of \$7 to 30 per mo. depending on a number of factors.

*"Do I need life insurance?" continued...*

Some grandparents may want to consider purchasing a policy on a son/daughter (in-law). Life insurance could fund the help that you would want/need to give your family during a time of loss. Young families are often underinsured and unprepared for untimely death.

**(2) The Living Benefits** of permanent life insurance help address the "elephant in the room" of retirement planning: potential long term care expenses. As mentioned above, many policies allow you to access the death benefit for "chronic illness" such as nursing or in-home care. This can be an excellent alternative to paying high annual premiums for traditional Long Term Care insurance that you may never need, thereby losing all those dollars to the insurance company. With Life insurance if you don't exercise the chronic illness care rider, your designated beneficiary gets the death benefit as originally intended (see Case Study pg. 3)! This is an excellent planning technique that many families could really benefit from looking into further—how about yours?

**(3) Cash Value Accumulation** is also a very real benefit of permanent life insurance. However, and this is crucial, the policy has to be set up and funded properly. Oftentimes it is not. These policies are set up with the lowest death benefit allowed by the IRS for the premium dollars paid in. This minimizes the internal cost of insurance and thereby maximizes the growth of the cash value, referred to as "max-funding." The money going into the policy is largely for growth and future withdrawals, not just for the death benefit. When done properly this can work

*"I like working with you because I know that you keep on top of things and pay attention to the details. Other representatives I've worked with haven't given me that kind of confidence; but I know that you know your stuff and keep in touch!" —Lomira client, November 2016*

great, giving you tax free access to the cash value down the road. I can provide examples if desired.

Since people are living longer, the cost of insurance has actually gone down over the years on newly issued policies. If you are still in good health you can often transfer your cash value from an old policy to a newer policy and get: a higher death benefit, considerably lower premiums, and additional living benefits like the chronic care rider (#2 above). Old insurance policies can be very inefficient, much like old appliances, windows, cars, etc. How long have you had yours?

**(4) Wealth Transfer of Your Assets** is a GREAT reason for permanent Life insurance. If you are in good health and have sizable liquid assets that will be passed on to beneficiaries (including a spouse) this is a well-established and beneficial way to do it. Imagine if the \$100,000 currently in a CD that you don't need could guarantee a 65 yr. old \$352,170 for your spouse or kids (I can provide you the annual ROI on that). What if that \$252,170 increase was not taxed to your family as income—because it is life insurance? Furthermore, what if YOU had access to the \$352,170 if you need "chronic care" like nursing home or in-home needs (see #2 above). These are some of the reasons that life insurance is an extremely attractive tool for wealth transfer and estate planning in general—and we get the terms guaranteed by A+ 100+yr old companies! What other planning instrument guarantees these benefits to your family?

Not to sound too insurance agent-ish here, but most people either need, or stand to benefit from, some type of life insurance at some point in their lives. In addition to basic income replacement for dependents, more and more are recognizing the significant retirement and estate planning benefits that come with life insurance. Whether for necessity or the desire for wise planning strategies it is good to review your use of life insurance in your planning. Please feel free to contact me at 233-0033 to answer questions that may have come up in your mind. —Raymond Loth

\*I will however say that I am typically not in favor of "simplified issue" life insurance. It is marketed as an alternative to "fully underwritten" insurance. It is simplified for the agent with less paperwork and quicker processing. However since the company does less research on your health (often no blood or urine) they give you a lower death benefit than you may have gotten for your good health.

## Are You Looking for a Guaranteed "PAY DAY" for the Rest of Your Life?

ANNUITIES are the only product that can offer **GUARANTEED LIFETIME INCOME!**

Let me show you how an American Equity Fixed Index Annuity with a Lifetime Income Benefit Rider can help secure your retirement income.



Collier Legacy Planning llc  
Raymond Loth  
920-233-0033



Collier Legacy Planning llc

Raymond Loth  
Licensed Insurance Professional  
2380 State Road 44, Suite E  
Oshkosh, WI 54904  
920-233-0033

## CHEESEBURGER SOUP

This recipe was given to me by a friend to try. It is a good recipe. It doesn't taste like a cheeseburger. It tastes like a cheesy vegetable soup. Ray's wife has been making it with great success and Ray recommends adding some shredded cheddar cheese, too. It is a new favorite for our house. —Melissa Bloemers



- 1/2 pound ground beef
- 3/4 cup chopped onion
- 3/4 cup shredded carrots
- 3/4 cup diced celery
- 1 teaspoon dried basil
- 1 teaspoon dried parsley flakes
- 4 tablespoons butter, divided
- 3 cups chicken broth
- 4 cups diced peeled potatoes (1-3/4 pounds)
- 1/4 cup all-purpose flour
- 8 ounces process cheese (Velveeta), cubed
- 1-1/2 cups milk
- 3/4 teaspoon salt
- 1/4 to 1/2 teaspoon black pepper
- 1/4 cup sour cream

In a 3-qt. saucepan, saute the onion, carrots, celery, basil, and parsley in 1 tablespoon butter until vegetables are tender, about 10 minutes. Add the broth, potatoes, and beef; bring to a boil. Reduce heat; cover and simmer for 10 to 12 minutes or until potatoes are tender.

Meanwhile, in a small skillet, melt remaining butter. Add flour; cook and stir for 3 to 5 minutes or until bubbly. Add to soup; bring to a boil. Cook and stir for 2 minutes. Reduce heat to low. Stir in the cheese, milk, salt and pepper; cook and stir until cheese melts. Remove from the heat; blend in sour cream.

Yield: 8 servings (2-1/4 quarts).

Total time: Prep: 45 min. Cook: 10 min.



Sturgeon shanties on Lake Winnebago