truluma

Spotlight

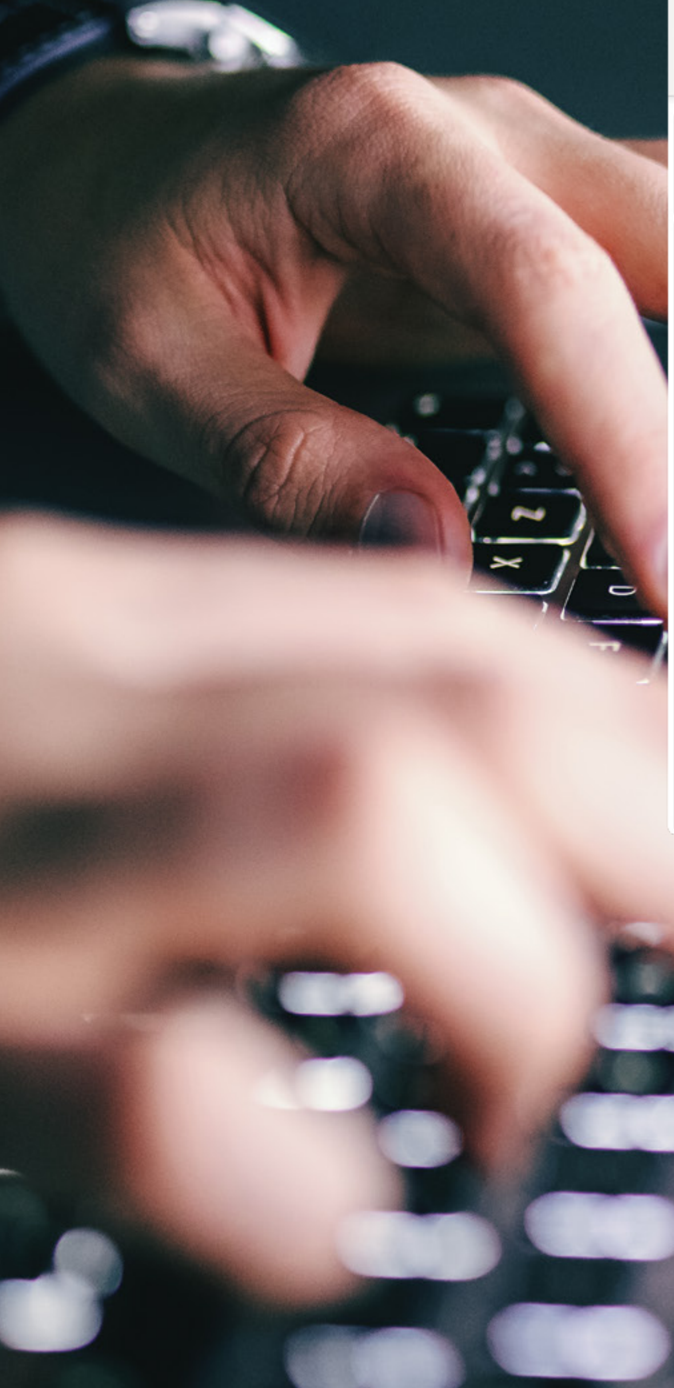
Summer 2019

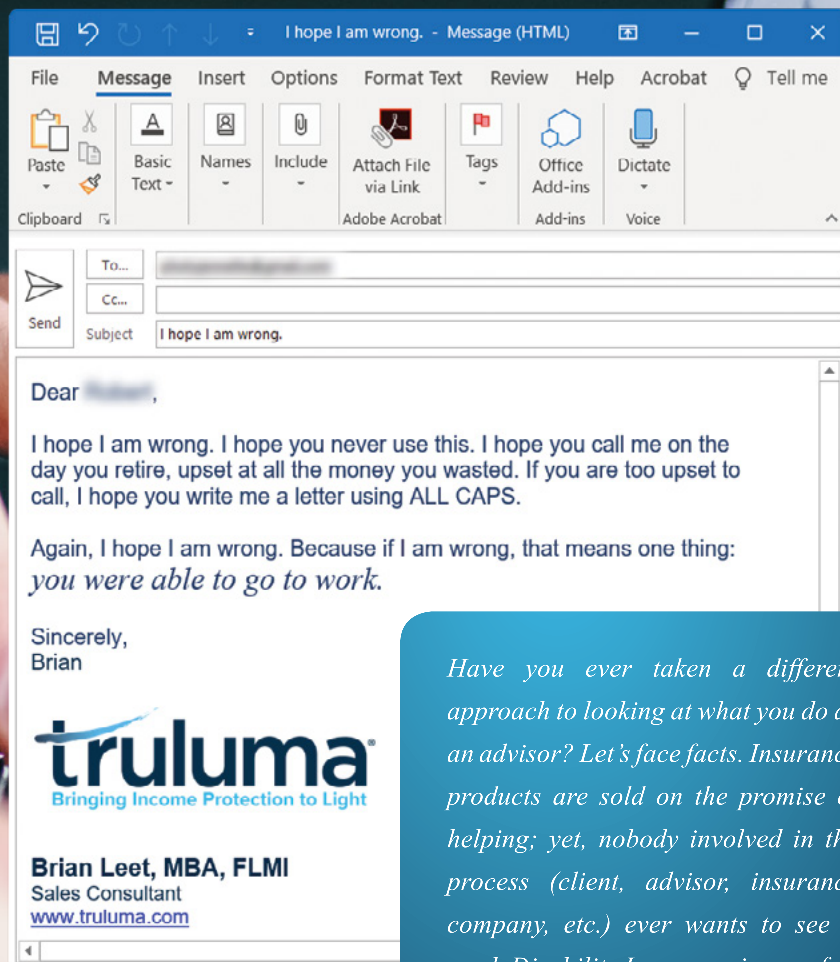
Bringing Income Protection to Light

SPOTLIGHT FEATURE

When Being Wrong is Right

BRIAN LEET, MBA,FLMI
TRULUMA CONSULTANT





Dear ,

I hope I am wrong. I hope you never use this. I hope you call me on the day you retire, upset at all the money you wasted. If you are too upset to call, I hope you write me a letter using ALL CAPS.

Again, I hope I am wrong. Because if I am wrong, that means one thing: *you were able to go to work.*

Sincerely,
Brian

truluma
Bringing Income Protection to Light

Brian Leet, MBA, FLMI
Sales Consultant
www.truluma.com

Have you ever taken a different approach to looking at what you do as an advisor? Let's face facts. Insurance products are sold on the promise of helping; yet, nobody involved in the process (client, advisor, insurance company, etc.) ever wants to see it used. Disability Insurance is a perfect example of this. When working with advisors on what the conversation around income protection looks like, I encourage them to first disarm their clients. The above email to a client about being wrong can be an effective approach to use.

Advisors typically use a fact-finding process to learn about a client's situation and identify opportunities to enhance his or her financial plan. Many of your clients understand the importance of having a balance of investments and life insurance, but fail to recognize that their income is their number one asset.

If a financial plan is a car that gets us to our final destination, think of DI as the spare tire. Spare tires are not glamorous. They add weight, and if we never get a flat tire, we think of having one as a waste of money. Most people don't get flat tires; yet, you'll be hard pressed to convince someone to take the spare tire out of his or her car. They understand that if they ever get a flat, the spare tire will be critical in getting them to their destination.

This is exactly what DI does in helping someone reach financial goals. If a client becomes disabled, having a "spare tire" in his or her financial plan may be one of the best decisions ever made.

The statistics on disabilities are staggering; yet, DI is not a product that is most effectively sold by using logic. The idea of becoming disabled for many defies logic. People see disabilities all around them, but DI is still a product that is not discussed enough.

Contrast that to life insurance, which involves death. The statistics on death are also concerning. Feel free to check with the actuarial departments of insurance companies. I'm guessing they will tell you that the mortality rate continues to hold steady at 100 percent. Knowing that, many people still only buy 20-30-year term life insurance so that they are protected during the years when they are trying to grow their assets.

Shouldn't they also be protected if they become disabled? With a disability, it's just a matter of "if." And "if" it happens and "if" your clients don't have income protection, their worries extend far beyond recovering from their illness or injury.

Almost seven years ago, I mindfully left the carrier side of my career (it had spanned over 10 years at that point) to take on the role of educating the financial industry as a DI consultant. These very two things inspired me to make that change:

1. *Meeting disabled claimants who had an advisor to thank for financially saving their lives by talking to them about DI.*

2. *Meeting disabled people who had no DI in place at the onset of their illness or injury, and were broken and devastated by the failure of their financial plan to protect their income.*

Meeting people with these experiences can be life-altering. It's inspiring to hear how a product they were told they needed changed them forever. DI saved them during a very dark time and allowed them to focus on getting better. You will never meet a disabled person who was planning on becoming disabled. The accident was unexpected. The diagnosis was unexpected. DI offers protection when the unexpected happens.

Please don't let your clients be among those who don't have a plan. Take the time to talk to them about a product you hope to be wrong about. It's OK to be wrong. The expense of your clients needing something they don't have far outweighs the cost of having something they don't need.

CBD's Impact on Underwriting

The use of CBD products is quickly trending through a gamut of industries as a wellness supplement. Its properties have alleged benefits in consumables and cosmetics; they're even used professionally to treat rare diseases. But how are underwriters handling this growing popularity?

Cannabidiol (CBD) is a naturally occurring compound found in the resinous flower of the cannabis plant and doesn't contain tetrahydrocannabinol (THC), the psychoactive ingredient found in marijuana that produces intoxication or euphoria (the "high").

Over the past few years there have been many changes in cannabis laws. Many laws are based on the source of the CBD, which can be extracted from marijuana or from hemp, both members of the cannabis family. Marijuana contains a significant percentage of THC whereas hemp contains less than 0.3% THC.

Advocates believe CBD provides all sorts of health benefits. This non-intoxicating cannabis extract is being credited with helping to treat a host of medical problems including anxiety, depression, diabetes, inflammation, chronic pain and sleeplessness.

While Hemp-derived CBD products are federally legal, currently the only CBD product approved by the Food and Drug Administration is a prescription oil called Epidiolex, which is used to treat two rare and severe forms of epilepsy.

Due to continuous changes to the laws and awareness of the potential benefits of CBD, an entire industry is being built around these products. The usual formulation is oil, but CBD is also sold as an extract, a vaporized liquid or an oil-based capsule and it's cropping up in protein powders, bath salts, topical creams, cosmetics and food products.

As the use of CBD products continues to rise, DI carriers have established underwriting parameters for guidance. Unlike the use of THC, the majority of carriers are not highly concerned with most instances of CBD product use. What carriers may find concerning is when products are used to treat a specific condition, at which point exclusion or premium ratings may be required.

Sources: FDA.gov, projectcbd.org

Unearned Income and DI Underwriting

When underwriting disability insurance, it's important to consider not only an applicant's earned income (i.e., salary or business profits) but also his/her unearned income. Underwriters must take into consideration unearned income such as interest, dividends, alimony and rental or pension income that would continue to be received even if the insured stopped working. Consequently, applicants with significant unearned income have a diminished need for disability coverage because the unearned income serves much like a disability policy benefit.

Most carriers feel that a small amount of unearned income is not a major factor in determining how much DI coverage they can offer an applicant. It's also understood that income from investments, such as dividends or interest, may not be steady and depend in large part on the economic climate. As a result, carriers will use a formula to determine the benefit amount available to individuals with significant amounts of unearned income.

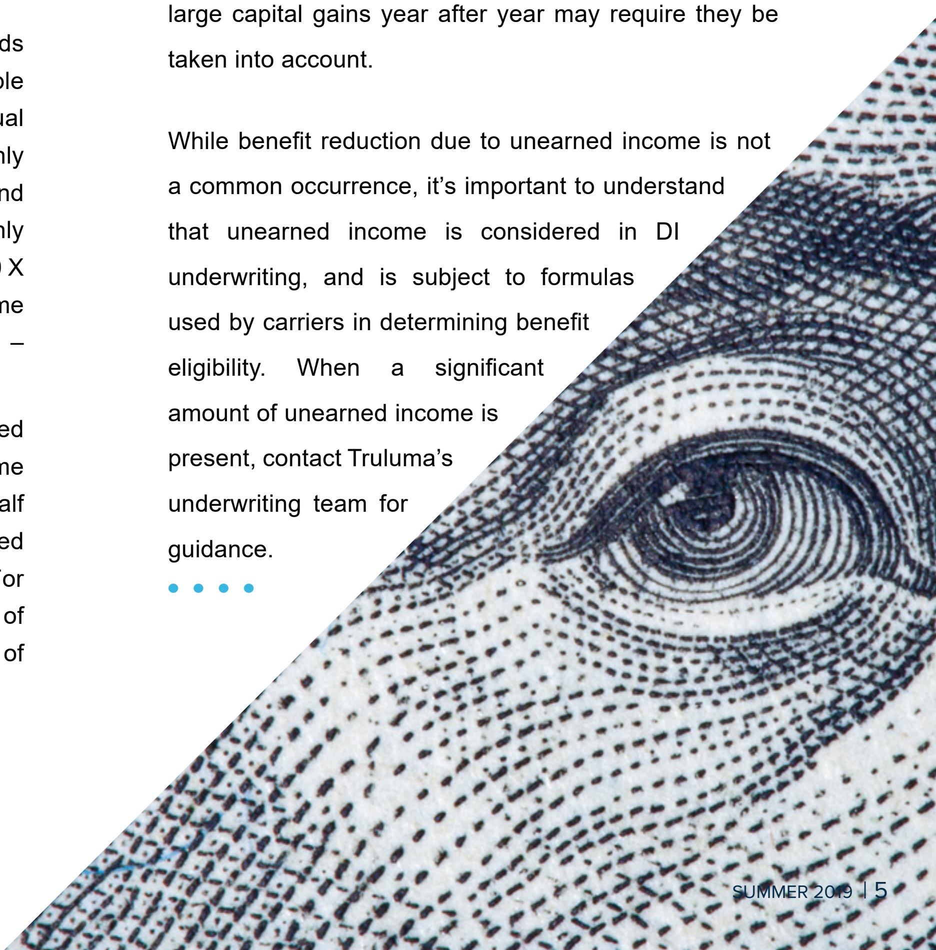
Common formulas include:

- The amount of unearned income that exceeds 20% of earned income is used to offset available benefits. For example, a client with an annual income of $240,000 qualifies for a monthly benefit of $11,230. If she also has dividend (unearned) income of $70,000 the monthly benefit would be reduced by $1,833 ($240,000 X 20% = $48,000, the amount of unearned income that is ignored; $70,000 unearned income – $48,000 = $22,000/12 months = $1,833)
- The lesser of $30,000 or the amount of unearned income that is less than 15% of earned income is ignored. After the calculation is applied, half of the remaining unearned income is used to reduce the available monthly benefit. For example a client with an annual income of $240,000 qualifies for a monthly benefit of $11,230. If he has also has dividend income of $70,000 the monthly benefit would be reduced by $1,667 ($70,000 – $30,000 the amount of unearned income ignored = $40,000, $40,000 *.5 = $20,000/12 months = $1,667)

Less frequently, an applicant may be receiving pension income from an early retirement. This source of unearned income differs from the more commonly encountered investment income in that it is fixed and not subject to fluctuation. In these situations most carriers will forgive the first $20,000 - $30,000 of pension (unearned) income, but will deduct 100 percent of the remaining monthly pension income from the benefit amount. In our example above, if instead of $70,000 in dividends the applicant received a $70,000 pension, the monthly disability benefit available would be reduced by $3,333. ($70,000 - $30,000 = $40,000/12 months = $3,333).

Another source of unearned income is capital gains. Because capital gains normally result from one-time transactions and are even less predictable than interest or dividends, they are generally ignored from an underwriting standpoint. However, a pattern of unusually large capital gains year after year may require they be taken into account.

While benefit reduction due to unearned income is not a common occurrence, it's important to understand that unearned income is considered in DI underwriting, and is subject to formulas used by carriers in determining benefit eligibility. When a significant amount of unearned income is present, contact Truluma's underwriting team for guidance.



2019 Third Quarter Carrier Webinars

Learn new approaches or refine your existing skillset with these in-depth training sessions offered by industry-leading carriers.

Monday, July 8, 2019 – 8 a.m. PT

DInamic Fundamental - 3 New Riders

This Ameritas product targets middle income earners, offering these clients and prospects quality income protection that is simple, affordable, and attainable. In this session, learn more about the markets where this product makes the biggest splash, the product provisions and pricing, as well as the simplified quoting and underwriting processes. New to this session: an intro to three new riders to provide further value and protection for your clients.

Presented by Ameritas; register here: https://bit.ly/2XKjknC

Monday, July 15, 2019 – 8 a.m. PT

DI Conversations that Move

This brand-new session is presented by Scott McCarthy, Ameritas regional vice president for the west territory. He will help you identify language that, in his experience, has driven more productive conversations about income protection as a key part of your clients' financial plans. He will share research on this topic and help pave the way for more successful conversations around disability insurance. It's a session you don't want to miss, especially if you are looking for new ways to open the door into DI sales.

Presented by Ameritas; register here: https://bit.ly/2RbILw3

Monday, July 22, 2019 – 8 a.m. PT

Benefits of Using eApply for Submitting DI Applications

Save time and money with eApply by ensuring you have your DI applications in good order. This software program from Ameritas guides you through the necessary requirements of submitting new business applications electronically, including the EZ application process. This session will demonstrate entering and submitting a DI application online. Discover just how easy and beneficial it is to use eApply.

Presented by Ameritas; register here: https://bit.ly/2KJzyK1

Monday, July 29, 2019 – 8 a.m. PT

The Importance of Field Underwriting

Participate in this session to learn the underwriting and new business processes for DI applications. Get tips from the experts on how you can simplify these processes.

Presented by Ameritas; register here: https://bit.ly/2WBUxpg

Monday, August 5, 2019 – 8 a.m. PT

DInamic Foundation Policy Provisions

Learn the ins, the outs, and the competitive features of Ameritas' flagship product, DInamicFoundation. Discover how the riders and built-in benefits work so that you can effectively inform your clients on the need for income planning and protection.

Presented by Ameritas; register here: https://bit.ly/2F0HQcT

Monday, August 12, 2019 – 8 a.m. PT

The Three Pillars of Income Protection

This session, presented by Scott McCarthy, is a follow-up to his previous presentation, *DI Conversations that Move*. It's intended to help guide you and your clients through the actionable steps of a protection strategy necessary to improve your clients' financial outlook.

Presented by Ameritas; register here: https://bit.ly/2Zft35M

Monday, September 9, 2019 – 8 a.m. PT

DInamic Foundation Student Loan Repayment Rider

After investing into their education, many graduates are starting their careers with high amounts of student loan debt. Join this session to learn how to help them invest in protection that will pay their student loan(s) if a sickness or injury prevents them from earning an income.

Presented by Ameritas; register here: https://bit.ly/31sUWt0

Monday, September 16, 2019 – 8 a.m. PT

Redefining Asset & Income Protection

This is the third presentation in a series by Scott McCarthy, Ameritas regional vice president for the west territory. In this session, Scott will discuss how to "reframe" disability insurance to better engage your clients in a conversation about income protection. Discussing the goal of an asset protection and income continuation plan through a positive and collaborative approach will allow your clients to see the benefits immediately.

Presented by Ameritas; register here: https://bit.ly/2ZlDip2

Monday, September 23, 2019 – 8 a.m. PT

Selling DI to Cost-Conscious Buyers

Often you come across clients who are sold on the need for DI, but have a budget in mind. Not everyone is out to buy the maximum benefit with all the bells and whistles *and* willing to pay for it. This session will show you how to design cost-effective DI strategies for those cost-conscious buyers.

Presented by Ameritas; register here: https://bit.ly/2KLPTOm

Monday, September 30, 2019 – 8 a.m. PT

Guaranteed Standard Issue (GSI)

Chris Ginocchio, Ameritas regional vice president for the east region, will present this session full of sales ideas for turning individual DI sales into GSI opportunities.

Presented by Ameritas; register here: https://bit.ly/2wNpHdY

Income Allows Us to Give

Beyond the common, essential list in our minds when thinking of expenses that depend on income (mortgage, transportation, food) how often do we consider the ways that income allows us to give and care?

AMY THORSON
TRULUMA CONSULTANT

A while back, I heard a story on the radio that caught my attention. The radio hosts were discussing a 2017-2018 National Pet Owners Survey from the *American Pet Products Association*. Survey results found that dog owners spend roughly $240 per month caring for their pets, while cat owners average $193 each month for the same. Survey participants also reported they would pay $4,270 to save the life of their dog, but only $2,462 for their cat. An interesting comparison!

It was a lighthearted story that either made you laugh, roll your eyes, or divert your gaze elsewhere because you're likely guilty of spending a pretty penny on your furry friend at one point or another. (And, in case you're wondering: our family has a cat named Smokey. While his toys might be cheap, his veterinarian-approved urinary care cat food is not.)

All joking aside, hearing this story got me thinking about financial priorities and income protection. The cost of Disability Insurance is typically 1-3% of a person's annual income, meaning someone making $50,000 per year can expect to pay roughly $1,000 each year (or about $83 per month) for a solid DI policy. In the event an illness or injury prevents the insured from working, policy benefits can be used to replace income and help pay the normal expenses that always come to mind: mortgage, car payments, food – even unexpected recovery care. But another crucial monthly responsibility to bring to light is this: income *allows us to give*.

Disability Insurance protects income *and all the care we give with it.* In addition to self care and family members who depend on us, our beloved pets depend on income too. How would they survive without the generous care income provides?

Though it may bring a chuckle, it's a relevant topic to discuss with clients. Illness and injury can happen to anyone, anywhere, at *any* time. If pet owners are willing to spend $3,000 saving the life of a dog or cat, we need to consider that gesture, along with all the care that income allows, when designing an effective income protection plan.

Our Expert Team is Growing

Help us Welcome Jim Farden to the Truluma Team!

JIM FARDEN, CLU, RHU
TRULUMA CONSULTANT

Jim joins Truluma with over 30 years of experience in the DI industry, helping producers and firms grow their IDI business. Jim has been a Regional Executive Benefit Consultant as well as a Senior Group Representative with major DI carriers, and most recently spent 16 years managing Principal's Southern California territory as a DI Regional Vice President.

Jim is a recognized leader in the DI industry. He's served on many boards of directors, published numerous expert articles, and is frequently featured as an event speaker on DI-related topics.

The Truluma Team is honored to have Jim on board.

Easier Underwriting for Graduating Medical Residents

New underwriting programs have been designed exclusively for medical residents who have recently graduated or are nearing graduation. The programs allow these residents to purchase IDI on a simplified basis, and keep pace with their growing income once they begin work or sign an employment agreement. These unique programs also let residents purchase higher benefit amounts without the need for labs or financial documentation.

10% - 20%
RESIDENT DISCOUNT

Permanent premium discounts are available for medical residents, fellows and interns.

CONTACT TRULUMA TO LEARN MORE

HOW DO THE MEDICAL RESIDENT PROGRAMS WORK?

Eligibility Requirements:

- Only medical residents are eligible[1]
- Applicants must be graduating in the year of submitting application

Application Process:

- New business application must be submitted between January 1st and September 30th of graduation year[2]
- Medical resident program must be noted on producer report
- No lab tests are required (no blood or urine)

Benefit Details:

- The benefit limit is either:
  - » Up to $6,500 or $7,500, depending on medical specialty; no financial documentation required

  or
  - » If residents have a signed employment contract, they can apply for full issue and participation limits, up to $20,000 per month; financial underwriting using the employment contract is required

[1] *Dental residents are not included in this program*

[2] *Application can be modified or declined; it's not a guaranteed-issue offer*

ILLINOIS MUTUAL®

Fast Start Bonus*

$500

You can earn **$500** when 2 applications totaling $2,000 annualized premium are paid within your first full quarter of being contracted with us.

DI Quarterly Incentive*

$300

You can earn **$300** when 2 applications totaling $2,000 annualized premium are paid within a qualifying quarter in 2019. And, you have the opportunity to earn more quarterly incentive cash!

HO362 (12/17) Agent Use Only

Combine our Quarterly DI Incentive with our Fast Start Bonus to earn $800 with your first two applications!

*Specific details apply

Contact Truluma today for further details.

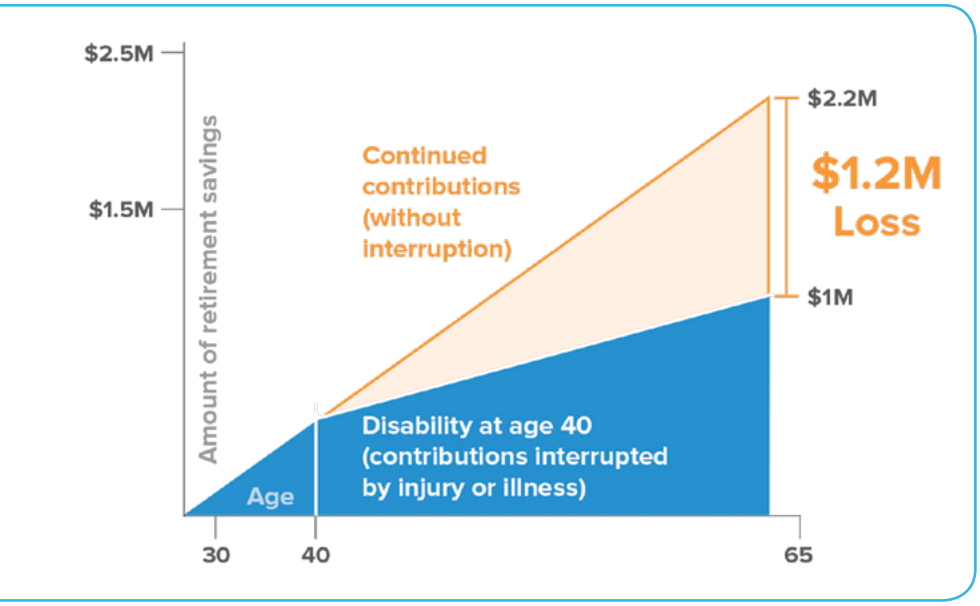
The Importance of Protecting Retirement Contributions

A sudden loss of income can easily lead to an interruption in retirement contributions and cause a significant loss to a nest egg. Help your clients keep their retirement plans on track, even if the unexpected happens.

All defined contribution plans, including 401(k)s, are based on the premise that in order to save for retirement an individual must be able to earn a living. Most retirement planning is done based on the assumption that the client remains healthy and continues to work until the day they have chosen to retire, ignoring the possibility that an injury or illness along the way could prevent the client from working for an extended period of time. In this situation, they not only lose the opportunity to earn a steady income, they also lose the ability to make contributions to their retirement plan.

Individual disability contracts do a great job of allowing individuals to meet their financial obligations in the event of a disability, but how do you protect their ability to save for retirement? The answer can be found in a disability retirement replacement program that is specifically designed to protect retirement plan contributions.

These programs use a non-cancelable and guaranteed-renewable disability income contract to insure the greater of 100 percent of your client's present retirement plan contribution, including employer matches, or 15% of income. The maximum benefit is subject to current defined contribution retirement plan limits. This protection is provided in addition to any individual or group disability coverage and is not subject to I&P limits. In the event of a total disability, benefits are paid directly into an irrevocable trust for the benefit of the insured. The proceeds are controlled by the insured and can be invested in individual stock, mutual funds or an annuity



Assumptions: $2,000/month contributions beginning at age 30, 5% rate of return, and age 65 retirement. Potential loss due to disability at age 40 without continued contributions to retirement savings.

depending on the program selected. At age 65, the trust proceeds are distributed to the insured to supplement his or her retirement income.

What kind of an impact can this have on your client's future? Consider this: a 30 year old who contributes $2,000 per month to a retirement program earning 5% will have $2,200,000 at age 65. If those contributions are interrupted due to an injury or illness at age 40, the nest egg will shrink to $1,000,000 - a difference of $1,200,000!

Who are the individuals interested in this type of program? Young professionals and high income earners. Retirement protection products are also being used in group settings as a way for companies to enhance retirement and benefit packages. This can be done either as an employer-paid benefit or as a voluntary benefit.

Planning for retirement is a very important part of comprehensive financial planning and part of that process should include bridging the retirement gap created if an individual cannot make contribution to a retirement plan due to an illness or injury. Retirement protection products can fill that gap.

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News You Can Use / Q2 2019

Find more details on the info below, along with all of our real-time industry updates in the News section of truluma.com. Email marketing@truluma.com to subscribe to our e-News updates, delivered right to your inbox.

Principal Announces MNSA Rider Changes, April 2019

Principal's Mental/Nervous & Substance Abuse (MNSA) rider with up to a 10% discount will be optional on IDI policies. Contact Truluma for further details.

Lloyd's/PIU DI Plans Now Available In Maine, April 2019

Petersen International Underwriters now has the authority to sell DI policies in the state of Maine. Contact our office to learn more.

The Standard Expands Simplified Underwriting Program for Medical Residents, May 2019

Residents can now apply for new-in-practice limits ($6,500 or $7,500, depending on specialty) with no income documentation or medical exams; residents and fellows ages 18-45, in the six months before or after completing training, can access $500 to $1,500 more in monthly benefits. Residents may also qualify for a 10 percent premium discount. Contact Truluma for all details.

Ameritas Q2 2019 Updates:

• May: DI with Term Discount

Ameritas clients can now receive a 50% discount on their term policy fee when they apply for both a term and disability policy (and the DI policy is placed in force), or the discount also applies if they have an existing (premium paying) DI policy and apply for a term policy. Contact our office for more info.

• May: MNDA Benefits Now Payable up to 5 Years on Many IDI Policies

Benefits under Ameritas' Mental/Nervous, Drug and Alcohol Limitation are now payable up to five years. Contact Truluma for all applicable details.

• June: Increased Issue Limits for Many IDI Policies

Ameritas revised its Issue and Participation Limits chart for IDI policies, increasing the limits for several income levels. Contact us for more details.