

Pension Maximization

Using Life Insurance to Help Maximize Pension Benefits

Concept

Help your clients maximize their pension benefits by electing the single-life option and using life insurance death benefit and cash value potential to provide for the surviving spouse.

Agent Profile

Financial professionals who specialize in both life insurance and annuity sales, or who work in a insurance adviser role.

Client Profile

Typically age 55 to 65 and married, with a defined benefit pension plan. Seeking to maximize monthly income and has not yet begun receiving pension benefits.

Key Selling Points

- ▼ By taking the single-life pension option and using some of the extra monthly income to purchase a life insurance policy, the client can “maximize” the pension by providing a total monthly income that is higher (after cost of insurance) than selecting a joint-and-survivor pension option. The death benefit is used to provide an income stream for the surviving spouse.
- ▼ If the client’s spouse predeceases them, the death benefit can either be discontinued or retained for legacy building.
- ▼ A low-cost, guaranteed death benefit is the key to making this concept work.
- ▼ Accelerated death benefits may be able to provide access to cash value if the insured acquires a qualifying illness. Availability varies by state and product.

Product Options

- ▼ **Custom Guarantee UL** - low-cost guaranteed death benefit
- ▼ **Guarantee Builder UL** - guaranteed death benefit with cash value growth potential

Illustration Design Tips


- ▼ Calculate the life insurance amount. Find what the surviving spouse benefit would be if a joint-and-survivor option were taken. That amount represents the target monthly income for the spouse. Next, identify the lump sum required to generate that monthly income. To do that, run a SPIA with no period certain (or use an alternate savings vehicle) to find the amount needed to generate that target income for the spouse’s life. The single premium amount represents the life insurance death benefit needed.
- ▼ Decrease the face amount to the lowest amount required to meet the insured’s needs. The lower the cost of the insurance, the more money available for the retiree each month. One way to reduce the premium is to adjust the life insurance death benefits as needs change. Since the life insurance is being used to supply an income stream for the surviving spouse, as the spouse gets older, the amount of needed funds will decrease. Search for the amount needed and adjust the coverage amount at regular intervals (at least every 10 years). For example, search for the spouse’s single premium need (life insurance) at ages 65, 70, 75, 80, 85, and 90.

Right Words

"The decision to select a single-life retirement income or a joint-and-survivor benefit is an important one. If early death of the primary spouse (the employee) is your concern, you might want to consider life insurance. Here is how a life insurance solution could allow you to take the greater income of the single life benefit."

Right Questions

- ▼ "If you need the higher single-life income but are concerned about your spouse, have you considered that life insurance is designed for just such concerns?"
- ▼ "Have you calculated what the difference in the monthly incomes would be between the single-life and joint-and-survivor benefits?"
- ▼ "Would you like to see if a life insurance premium would be less than that difference? That would allow you to take the higher single-life benefit and still provide for your spouse."

Send **New Email Message**Cancel

To: _____ Cc: _____

Subject: Follow-Up Email to Agent

Hello _____,

It was great talking to you [today/recently]! I was thinking about how to help you get some new sales with the pension max strategy, and thought I'd pass on a few questions to help you identify the right clients.

First, do you know anyone who works for a large company, public school system, government employer, or the military, or who might be likely to have a defined benefit pension plan?

Also, remember to think about family members, neighbors, friends, church acquaintances, or anyone else you know and pick out one or two of them who you think might fit the profile for this strategy. Sales tend to be easier when you have one foot in the door already, so picking quality, coachable clients you already know can help a lot.

Here are a few key points about the pension max strategy for you to keep in mind as you think of potential clients:

1. The concept in a nutshell: This strategy helps clients maximize pension benefits by electing the single-life option and using life insurance to provide for the surviving spouse. For public school employees, state and local government workers, and those with companies that offer defined benefit pension plans, selecting which type of pension to receive is a really important decision. Make sure you talk to these types of clients about their pensions.
2. The client profile: Clients aged 55-65 who are married and have a defined pension plan are the ones you want to talk to — particularly those that are looking to maximize their monthly income, and haven't started receiving benefits already.

Once you have some clients in mind, give me a call and I'd be happy to help you design their case. We'll need the age of both spouses and their desired retirement age. We'll also need to get an idea of the monthly benefit for a single-life pension choice versus a joint-and-survivor amount.

Please let me know if you need any further help!

Regards,

Go to <http://nalife.northamericancompany.com/NA-PensionMax>
to download the complete sales concept kit!