Ep 296 - How to Position an IUL Sale in 60 Seconds

Welcome back. My name is Kyle. I've been with LifePro Simplicity for coming up on a decade now, and I get a ton of questions from advisors. Probably the most popular question I get is “Kyle, how can I get in front of wealthier clients and attract those types?” Or even “How can I sell big ticket IULs?” Really, it's a tale of two different types of advisors.

There's your common advisor and your uncommon advisor. Your common advisor sells IUL for what it is. It's a product, and they focus on the features and benefits associated with it. Crediting methods, index volatility control, indices, living benefits, chronic, terminal, critical, and all that jazz. And they're great at it. They pick up $100, $500 a month policies, and a lot of time, they're using cash flow to fund those types of designs. But let's look on over to the other side of that spectrum. You have the uncommon advisor.

What makes them different? How are they able to collect hundreds of thousands of dollars and reposition assets into these types of vehicles? Well, I'll tell you this. They're not selling the features and benefits. They're not selling the product, they're selling IUL all as a solution to the pain and problems that these high-income earners face and those two problems are taxes and market risk. Their biggest thing isn't to grow their wealth, it's to stay wealthy. And there are only two things that can keep that wealth from them, Uncle Sam, and market volatility that can eat away at that nest egg.

The purpose of this episode today is to walk you through how uncommon advisors sell IUL and use a framework that we're going to talk through today with a couple of deliverables and worksheets that they keep in their back pocket to have this conversation.

Let’s start from the top. We have the problem, which is the US national debt. I'm gonna pull up on the screen the US debt clock. A couple of things to point out and I'm sure we've all seen this before. We have close to $33 trillion of national debt. The top left-hand side with an annual deficit. That means we're spending more than what we're making. You'll notice that the tax revenue on the right-hand side is showing that along with our annual expenses. And that's a problem. Even if we look at the percentage of debt to GDP at 132%, that's a problem. But really, how exactly can the government change this? How can they flip this switch?

Well, there are two things they can pull. There are two levers. They either increase tax rates or they're lowering the tax breaks. And with a tremendous amount of baby boomers on the horizon of retiring, or are already retired, relying on Social Security and Medicare programs, I find it hard to believe that tax rates will not have to be higher in the near future. If we look on over to the board and if we continue down this clockwise framework, so to speak, who exactly are the wealthy? Who is this problem for? We understand that there's a problem at hand and we now want to identify with your clients where they stack up from a wage income standpoint in the USA and a lot of times this comes as a surprise for most prospects. They don't realize that they're in the top ten, five, one percent of wage earners in the USA.

This next worksheet that you can use as part of your sales process is identifying and showing individuals that you don't have to make that much money to be amongst the wealthiest of income earners in this country. In fact, I'll highlight the top 25% of wage earners only have to make close to $84,000 of household income. More of your clients that you deal with are probably in the top 5%, making a minimum of $200,000. But more importantly, they don't realize that the US government relies on them to bring and account for their tax revenue. In fact, if we look here, 86% of the tax revenue is collected from those top 25% of wage earners. This is a great page to show them that, hey, you have a target on your back whether you like it or not, so we have to start thinking of ways to remove this target or to reduce that liability in the future.

Now as we continue down this path, we're looking now at the top marginal tax rates. This is a great sheet to show where we stand today as far as tax rates and where we were back in 1913 when it was initially introduced. You'll notice we're sitting relatively historically low in the current tax environment. Well below the average of 57.1%, but if we look back, that chart is completely different. Back in 1943, during World War II, under the Pearl Harbor attack, Roosevelt realized that during times of war, we have to fund war and one way to do that is to increase taxation. So the top marginal tax rates at that point got to as high as 96%. Roosevelt even wanted to be 100%. A lot of the individuals, a lot of the hard-working taxpayers, had suffered that period of time, but over the course, since then it's been a down-trend and again as I mentioned, we're sitting at historical lows.

So the question is, where are tax rates going to be in the future? If people think that they're going to be flat or the same or even lower, have you considered the three different deductions we're going to end up missing? That's our interest rates for our mortgages. We're going to lose that write-off. Our kids will be out of the home. We'll lose those exemptions and we'll be done contributing to those qualified plans. We won't be able to write that off as well. So a couple of things to consider and to share with those types of prospects.

If we meet the halfway point, we now introduce the three types of money worksheet. This is one of my favorites because it's a great conversation to have with anyone. It's really identifying where all of their assets are. Is it mainly in the taxable, tax-deferred, or tax-exempt buckets? I'd be willing to bet that most wealth is associated and built inside that tax-deferred accounts and those 401K's 403b’s. It kind of doesn't really bode well with this story we've created, right? Why would we want to defer taxes until a later date when we've learned earlier that tax rates are likely going to be going higher and be charged a higher tax? It doesn't quite make sense.

Similar to investing when we're doing an allocation between stocks and bonds to diversify, we're suggesting the same thing. Put them on paper, show them where they're heavily weighted in one of these buckets, and the importance of a diversified, balanced approach in retirement from a tax. All right. We're moving on here now.

We have the wealth-building vehicles. This is a great sheet to show people exactly what they want inside a wealth-building vehicle, and actually what they're getting in return and there's a lot of red on this slide. You'll notice all the different columns with the different vehicles where a lot of where their money is held currently, but you'll notice a column all the way to the right, that's index universal life. You'll notice that's a little bit more clean. It's a bit more healthy, it's a bit more where eyes tend to go. You know, we don't get everything green. The only thing we can't provide is the penalties that we occasionally have if we take out too much of our equity inside these plans or we lose those tax deductions on any premiums that we contribute, which is fine. But you'll notice that again, the story isn't the same.

What we're looking for is not what we're getting in these traditional retirement plans, and it allows you to put into context how IUL can be framed in comparison to investing so that bridges on over to our other worksheet that shows the power of indexing versus investing, S&P versus IUL now. This is a simple sample study showing the S&P excluding the fees and dividends to an indexing strategy using a 0% floor and 130% participation rate. But what you'll notice here is we don't have to experience those downturns in the market and by avoiding or mitigating our losses and only focusing on upside potential year in and year out, we actually have a higher account value at the end of this.

Why is that? Well, simply because we're mitigating our risk. We're not experiencing those troughs in the market. Our principle is protected 100% of the time. We never have to dig ourselves out of a hole. If our account value loses 20%, that's a 25% required rate of return to break even. If we lose 50% of our assets, that's a 100% rate of return to break even. So by mitigating those troughs in the market, the ’08s to 2020s, we can protect our downside and then participate in the upswing from the years that follow.

Lastly is our famous cream of the crop report. It's our wealth report that is customized to each one of your clients and branded to you, the advisor. Really, this takes them through a similar story that we're talking about today with a heavy concentration on marginal tax rates along with market volatility being the biggest tax or risks to consider when preparing for retirement. In this report, we look at, evaluate, and assess their current tax situation. We look at where their money is at and how an IUL can be incorporated inside their plan to account for more of that tax-free bucket to save them all types of taxes in the future.

Along the way, we compare it to different alternatives. Taxable and tax-deferred accounts both from a cash value standpoint and from an expense standpoint. Then we finish with a Monte Carlo simulation showing them the realistic rates of return someone could expect inside one of these vehicles, all of which are being conservative. That is the final report that advisors take with confidence to their clients and really allow them not to sell IUL, but to have the client understand the impact of taxes and market and buy IUL themselves.

All right, so let's finish strong. We went through the process uncommon advisors take their clients through. Was it 60 seconds? It sure wasn't. However, we're going to finish off hopefully in 60 seconds, just to review and recap this story that we've built to help advisors close more business. The problem at hand? There is a tax time box at everyone's throat and we have to be prepared for that, specifically the top 25% of wage earners where 86% of the tax revenue is derived from. Once we understand that your clients are a target, we need to realize that marginal tax rates are sitting at historical lows. As we've seen in the past with war, with uncertainty in the economy, tax rates tend to go higher. That's one way to offset the deficits each year.

We then talked about the three different types of money and the importance of tax diversification, positioning more inside that tax-free bucket. We talked about the different wealth-building characteristics that we don't necessarily get in our traditional vehicles, and building wealth and positioning IUL against the S&P as an example of indexing versus investing. By mitigating our losses and only focusing on the upside, we can have a higher account return, and then lastly we finish off with a customized wealth report that you can present to your clients that can build your confidence and can help you collect bigger premiums to then ultimately sell bigger ticket IUls in their practice.

If you have any questions and you're looking for these supporting materials, deliverables, and worksheets we presented today, don't be shy, reach out to us here at LifePro. Reach out to me directly at kyle@lifepro.com, and we'll get you set up accordingly. Thanks again for your time and well see you next week.