Redefining Asset & Income Protection

How to reframe disability insurance to engage clients

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Starting the Conversation

- Engaging clients can be challenging.
- Typical approaches to “DI” may be the root cause:
  - Fear-based selling
  - Negative language, focusing on the loss
  - Presenting as a secondary solution
- Typical results leave producers and clients dissatisfied.

Changing the Conversation

A connected conversation with clients, with the goal of an asset protection and income continuation plan that fits their needs, created through a positive and collaborative approach, allows clients to see the benefits from day one.

Engage, Enlighten & Empower

- Positive, benefit-oriented conversations, focused on establishing a dialogue with clients
- Constructive dialogue/guiding questions to determine the clients’ needs
- Help them see the benefits of their actions within the plan
- When you receive pushback, renew the value proposition

Paradigm Shift

- What is “income” anyway?
- Debt is a primary financial concern for most clients, from a very early age.
- Retirement planning has changed.

Retirement Focused Population

- Younger clients are focused on planning for retirement, signaled by increased participation in 401k participation and savings.*
  - …Two-thirds of Gen Z workers (66%) are saving for retirement through a 401(k) or similar plans.
  - 78% of Millennial workers are saving for retirement in a 401(k) or similar plan.
  - Gen Z households had 2.5 times more assets in their DC plans than Gen Xers had in when they were the same age.

*NAPA website, July 6, 2023: https://www.napa-net.org/news-info/daily-news/what-are-401k-participation-and-savings-rates-generation

*ICI website: Ok, Boomer: Retirement Prospects for Younger Americans Actually Look Bright | Investment Company Institute (ici.org)

Growing Anxiety

- Clients have anxiety about retirement funding.
- Report from BMO Wealth Management illustrates these concerns:
  - 31% of participants site debt reduction as their most important financial priority.
  - 26% chose increased savings as most important.
  - 21% look to investing effectively and tax efficiency as the most important.

Retirement Risks

- Client focus on retirement tends to be centered around a few broad areas:
  - Correlation to the “markets”
  - Saving “enough”
  - Diversification + time = safe

Neglecting Other Threats

- The retirement plan is likely the clients' first or second largest monetary asset.
- It is likely unprotected from risks such as:
  - Changes in regulation
  - Changes in tax legislation
  - Changes in health

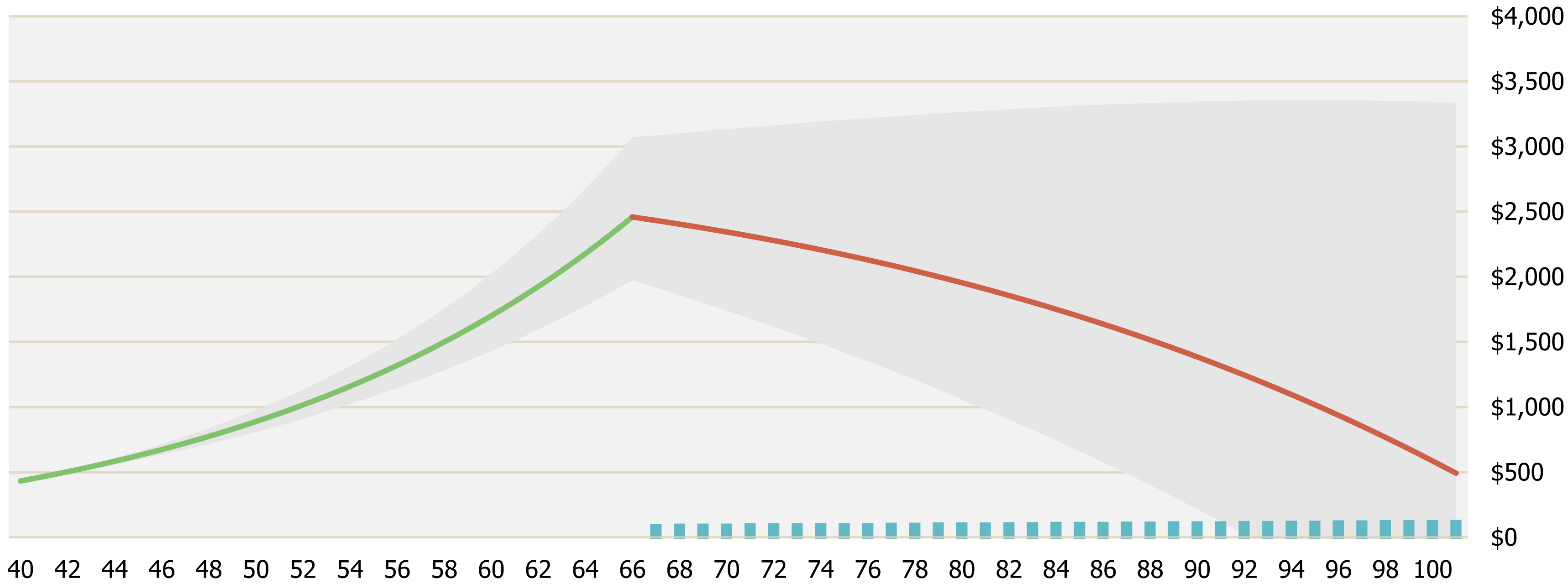
The Default Income Continuation

- One of the biggest risks to a client's retirement planning success is early withdrawal.
- Retirement funds are the default income continuation plan's source.
- What does it look like to remove funds from a retirement plan?

Illustrating the Risk

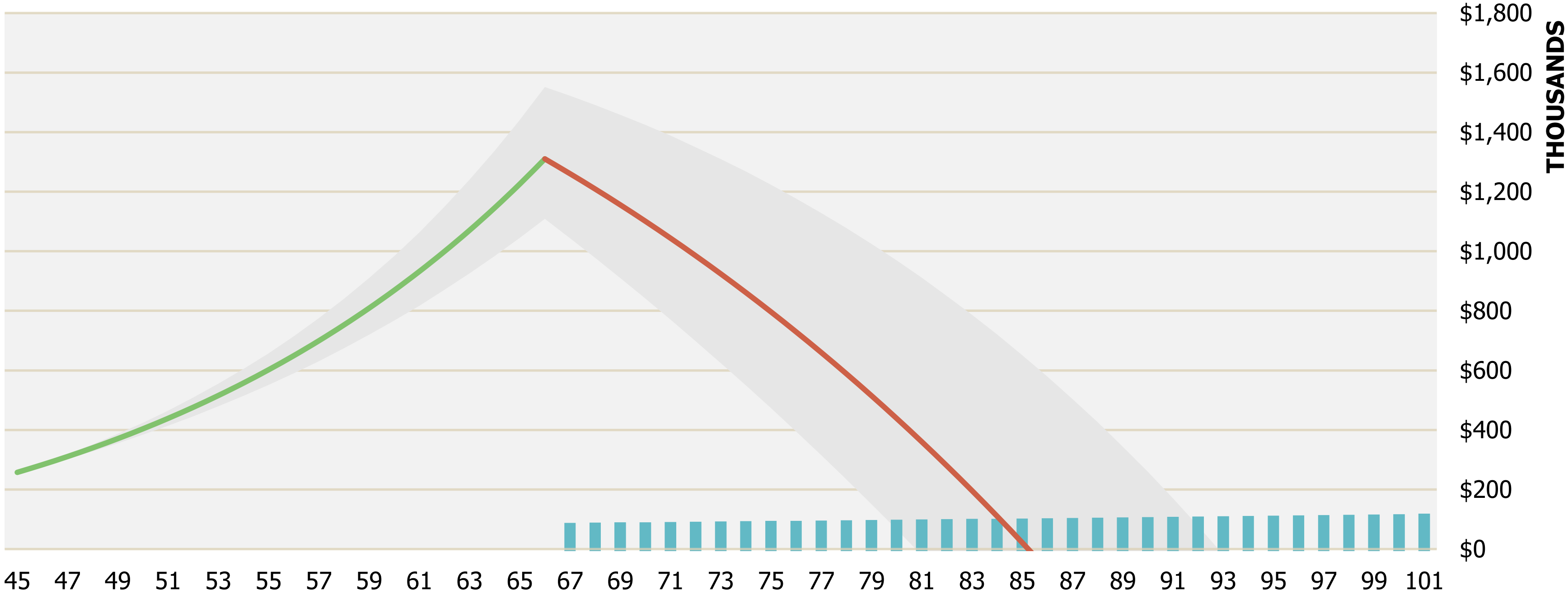
- 40-year-old professional
- $200,000 income
- Retirement savings balance of $400,000
- Annual savings $10,500 (includes 3% ER match)
- Annual inflation/income increase 1%
- Savings increase 2%
- Investment return 5.5%

Illustrating the Risk



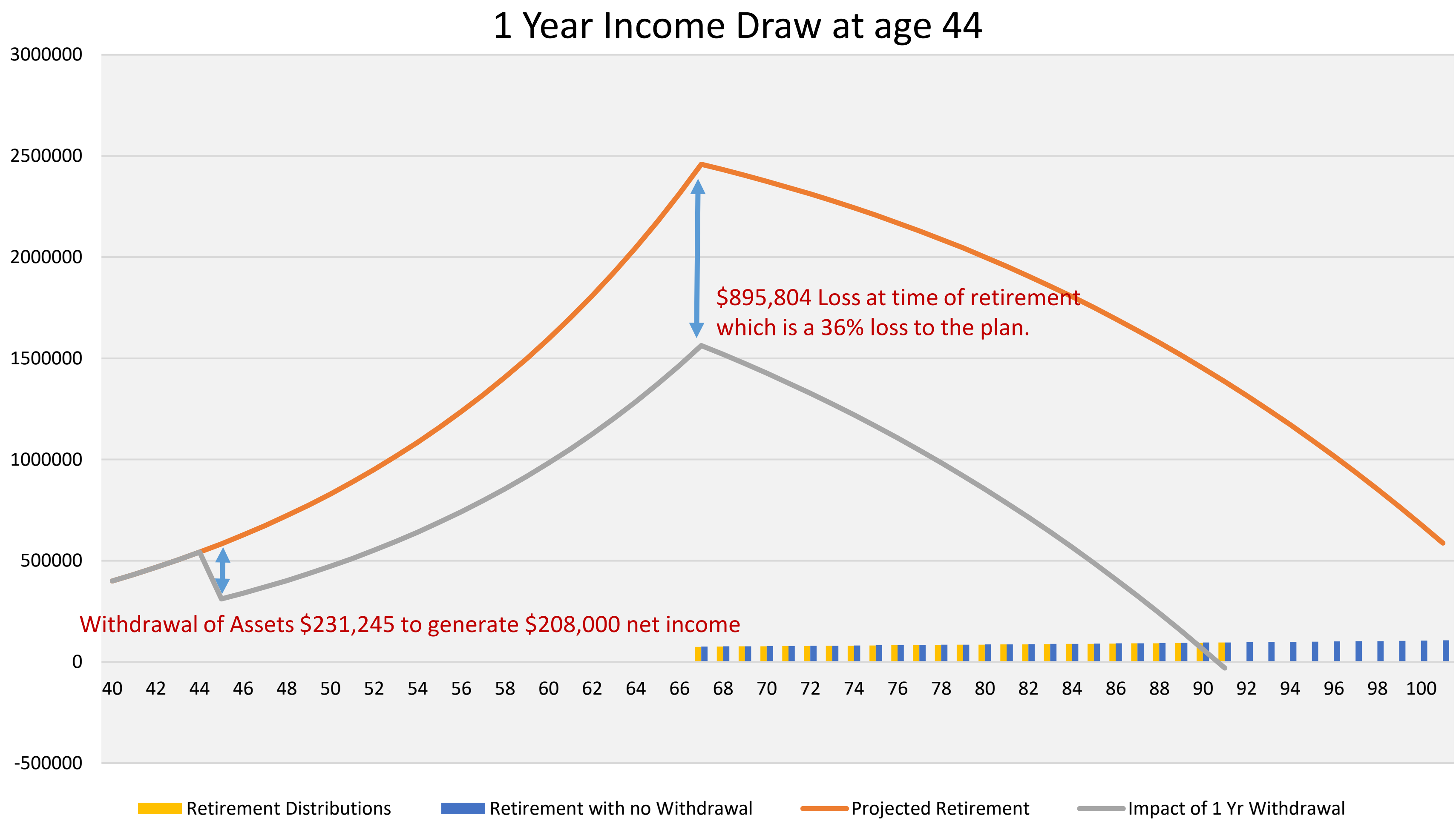
- Client plans to retire at age 67 with an account value of $2,459,000 and will draw roughly 3% of that value or $75,000 per year, starting at age 67 - with a little more coming out each year due to inflation. In retirement, the client is looking at a 2% investment return.
- At this rate, the client will get to age 101 and still have a balance of $492,000 in the plan.

Illustrating the Risk

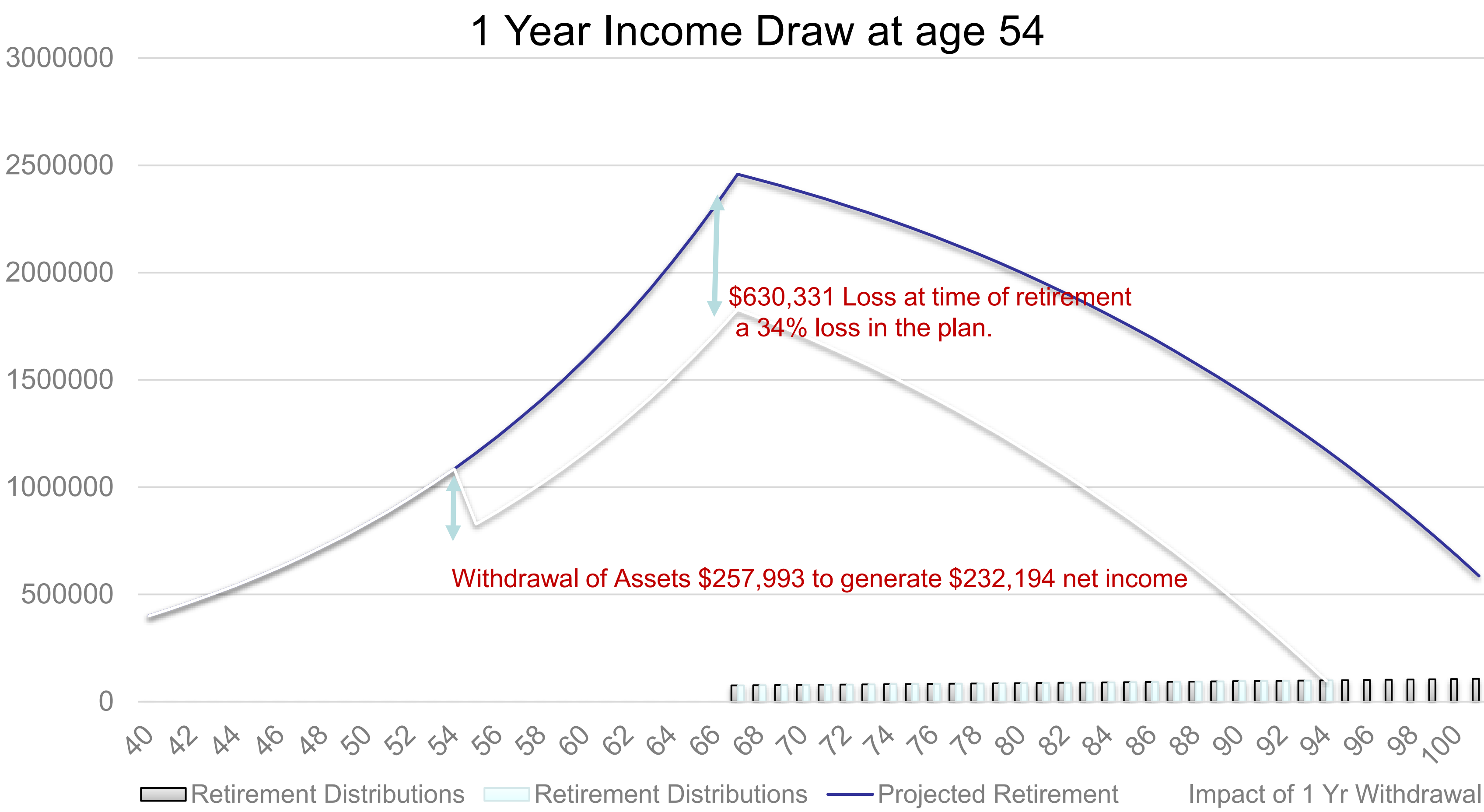


- A health issue at age 44 causes the client to take 15 months away from work. He exhausts his short-term savings and pulls $231,245 (or one year's income) from the plan (after penalty, federal & state income tax - net withdrawal is $208,000).
- Assuming everything else stays the same as the previous slide, the plan runs out of money at age 85.

Illustrating the Risk



Illustrating the Risk



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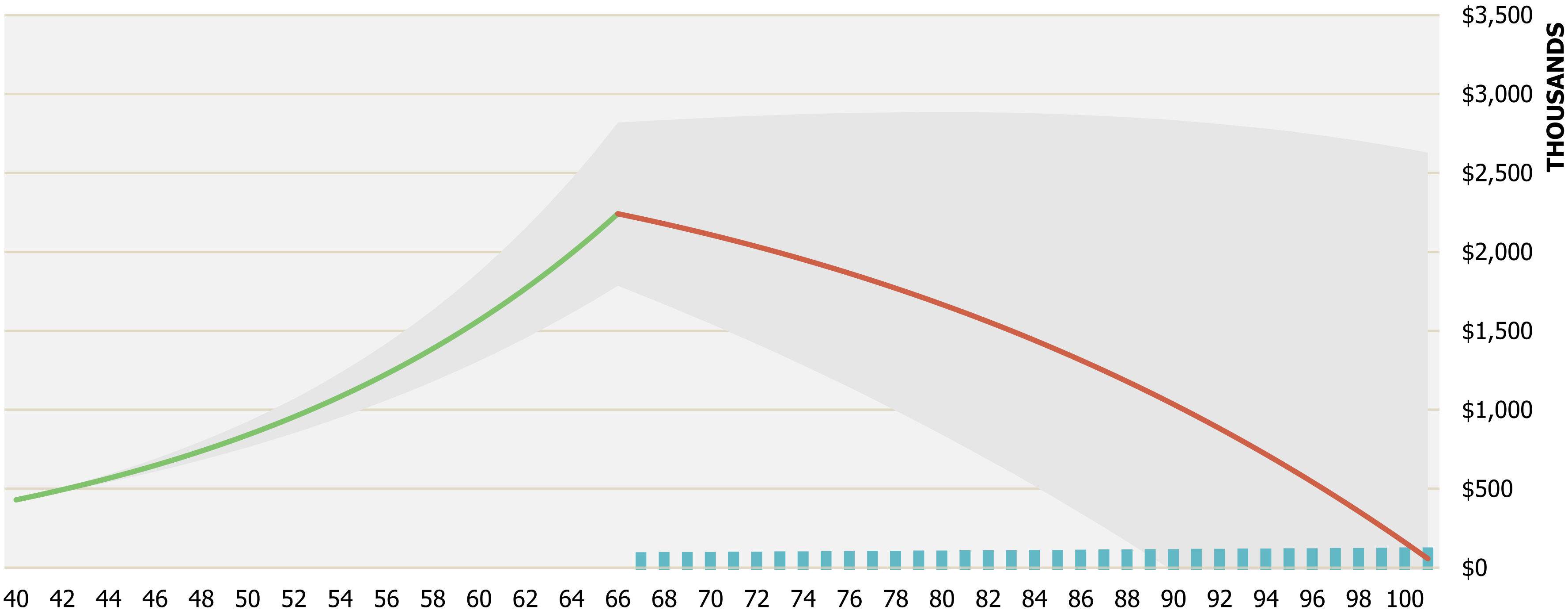
The Solution

- An asset protection and income continuation (APIC) plan can provide downside risk mitigation at a moderate cost.
- This type of plan reduces the chances of a retirement funds withdrawal due to an unexpected change in health.
- Add an individual disability policy to the “retirement plan” to provide a more comprehensively protected asset.

Illustrating the Solution



- With all the variables the same and taking $3,000 from the retirement plan contribution, the difference in the retirement plan balance at age 67 is $2,241,500 vs $2,459,000 (9% less) but the client can still end up at age 101 with a balance remaining of $57,000.
- While not ideal, this is a much smaller loss than what you might see if a loss of income was accompanied by a withdrawal from the retirement plan.

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Positioning Asset & Income Protection

- By focusing on the benefit provided to the retirement plan we can position disability insurance as a valuable investment in protection.
- The premium can now be demonstrated to diversify the risk protection beyond just fiscal/economic risk.
- While the chances of a disability are low, the impact of a withdrawal is high.

Asset Protection & Income Continuation

Continuing the conversation with your feedback and inquiries…

Key Contacts

- Your Agency or Brokerage Manager.
- Your Ameritas® Sales Development team.
- The DI Sales and Distribution team.
- Your Regional Vice President.