

Senior Market Advisor



Going green?
Find out how much green you can get today by using your book. Get your FREE valuation now.

TWG Capital

"TWG Capital made it easy to get the funding I needed"
Brian Collins
Round Rock, Texas

- [Home](#)
- [News](#)
- [Magazine](#)
- [Editor's blog](#)
- [Newsletters](#)
- [Topics](#)
- [Events](#)
- [Resources](#)
- [Subscribe](#)
-

A paradigm shift for final expense

Article Tools

- [Email to a friend](#)
- [Print](#)
- [RSS Feed](#)
- [Subscribe](#)
- [Share](#)

Related Articles

- [Disability portfolio provides choice](#)
- [AHIA finds encouragement, concern in American Health Choices Plan](#)

Related News

- [MetLife identifies trends in adult day service costs](#)
- [New jobless numbers push misery index](#)

By [Senior Market Advisor](#) | Published August 1, 2008 From the [August 2008 Issue](#) of Senior Market Advisor Magazine

The only thing constant is change, as witnessed through our changing clients, their changing needs, and an industry full of product and policy change. The baby boomer generation has been the driving force behind insurance companies creating new products to meet boomers' unique needs and desires. The same is true with products available for final expenses, such as the irrevocable funeral trust. This semi-hybrid between a final expense insurance policy and a pre-need funeral insurance policy provides advisors and agents with a new and important tool for their financial toolbox.

When most advisors and agents consider final expense, they think of the traditional final expense product where the agent sells a small life insurance policy of about \$10,000 to \$25,000 to cover a client's final expense,

particularly funeral and burial costs. These whole-life insurance policies usually require the insured to pay a premium for the remainder of his or her life. Traditionally, whole-life insurance policies have appealed to clients with a low net worth who find the payment affordable and whose family would need assistance with these extra expenses.

Many advisors avoid this process because it is too cumbersome for such a small reward, or because it may divert their client's focus from the big picture. And of course, if you assume higher net-worth clients may not be interested, why bring it up?

In 2002, change came to the final expense playing field when a revolutionary product, the irrevocable funeral trust, was introduced into the marketplace. Since then it has experienced some minor changes and improvements; however, despite the effectiveness and client receptiveness, it is still widely underused by agents and advisors. Oddly enough, this underused final expense product has gained momentum among a public who are demanding alternative planning solutions from their agents and advisors. Yet it's the middle class and high-net-worth clients who seem to be ideal candidates, although the less-affluent purchaser can benefit from this new irrevocable funeral trust as well.

I began selling insurance in the early '90s, predominately pre-need insurance with funeral homes. The product's purpose was to cover final expenses, but also protect against inflation. If my client required nursing home care or public assistance, they could keep the policy, as it was not a countable asset in the spend-down. The main problem with pre-need insurance is that it is only available through the funeral home of the client's choice.

The traditional final expense product had a few areas that always seemed to be a stumbling block for the client as well. First, the face value of the traditional final expense policies had to be increased every eight to 10 years to adjust for inflation. This could only be done by purchasing another small policy. Many people who owned the traditional product had two, three and sometimes four additional policies just to stay ahead of inflation.

Second, if the client needed nursing home care, and had to spend down assets to qualify, the policy cash value was a countable asset, as far as Medicaid was concerned. The policy had to be cashed in, leaving the client with no final expense coverage.

Once the final expense was cashed in due to nursing home spend-down, case workers would tell the traditional product owner to take the small amount of cash value and purchase a funeral plan. Consequently, the life insurance was gone and the client had to start over.

The new revolutionary solution offers an insurance product using the pre-need policy framework while creating product solutions for several common user problems, such as providing necessary coverage, protecting the policy in case of spend-down, adjusting for inflation, and making the product attractive and available to advisors, agents and their clients. This new model could also dramatically increase the compensation for the producer over what final expense had offered.

Not only does it meet the needs of the clients, but it also provides advisors and agents with a new tool and, ultimately, better service for their clients and an improvement in their own compensation.

As advisors and agents, we tend to become very set in our ways; when a new product comes to market we tend to overly scrutinize the unknown to the point of disregarding new opportunities as too far out of our planning comfort zone.

Fortunately, there is a demand for this type of product, creating a new breed of final expense advisor and agent. They are taking the time to evaluate and learn how to make the irrevocable funeral trust a successful part of their client's retirement plan. In turn, these advisors are building their own success as a financial consultant.

Seventy-one percent of consumers questioned believe funeral planning should be done along with their financial planning, according to a survey conducted by the Wirthlin Report in 1999. This survey has been around for some time, and even though the consumer wanted it, we've ignored it because it didn't fit into our financial toolbox.

Now with a new paradigm shift, we are starting to catch up with what our clients have wanted all along.

As the baby boomers continue to move into retirement, we have a new and improved tool to help meet their needs better than ever before. I have used this tool in my financial advisory business with great success. (Actually, I have always offered pre-need insurance and, once it was available, the irrevocable funeral trust product and found it to be well received.)

My challenge to you is to look at this differently than you have before. By adding this one tool to your financial toolbox, you will greatly benefit your clients and add substantially to your bottom line.

Evan Beecham, CFRA, is the founder of Beecham Financial Services Inc., in Burlington, Colo. He can be reached at (970) 847-3502 or online at www.beechamfinancial.com.



Most Popular

- [read](#)
- [emailed](#)
- [searched](#)

1. [Instruments of mass communication](#)
2. [Five ways to generate more leads](#)
3. [Tips for effective sales](#)
4. [Boomer women value word-of-mouth](#)
5. [Whole life holding its own](#)
6. [More than just cheeks in the seats](#)
7. [GLWBs avoid the full market monte](#)
8. [A key component](#)
9. [2007 Readers' Choice Awards](#)
10. [The finalists](#)



Become an
IRA Expert.
FREE Web seminar.
December 4, 2008

Register today.



Most popular articles from our partners...

PRODUCERSWEB.com
Maximum impact for smart advisors

- [The five reasons people buy fixed annuities](#)
- [The Million Dollar Marketing System, Step 2](#)
- [Getting out of retirement's income mess: A four-legged stool](#)

[About Us](#) | [Privacy Policy](#) | [Contact Us](#) | [Advertise / Media Kit](#) | [RSS](#) | [Press Room](#) | [Free Product Information](#) | [Site Map](#)

(c) 2008 Senior Market Advisor. A Summit Business Media publication. All rights reserved.

www.summitbusinessmedia.com