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00:00

JIM: Hello everybody; we’ve got another great show for you today and we’re going to be talking about a subject that a lot of times people don’t like talking about and that’s life insurance. I think a lot of people miss out on all the factors that can help people in their overall planning. I’ve always heard you can have one dollar do the work of many looking at life insurance and many people have the misconception that the only way to benefit from a life insurance policy is you’ve got to die. Well life insurance can provide many benefits for the living as well as those that pass away for their families. Joining us today is Larry Rybka. I’ve known Larry probably for 20 to 25 years now. He runs the family business. He has a life and insurance brokerage operation. He’s got his law degree; he’s a CPA and other than that he’s just a great guy.

01:29

JIM: I know you’ve spoken at many of the top industry organizations. I look at you as; there are a handful of people I really respect in the industry as being some of the sharpest in the industry and you’re part of that group so I really appreciate you taking the time.

01:44

LARRY: Thanks for saying that.

01:45

JIM: At any rate, you just collaborated with your group to write a book called *Life Insurance 10 X* and I know, I think I kind of know what that means because I know Google, we had the vice president of Google on a while back and they have this system at Google called 10 X. Is it based similar to that?

02:03

LARRY: It is, you know the idea of incremental improvement ends up just getting you 10% bigger or 10% different and if you think about quantum change how do you make something ten times better or ten times faster or ten times easier; that really forces you to do things completely different. That’s the idea behind 10 X. We applied it to life insurance. We said life insurance, a lot of products and ways that things have been done carrying over from the 1850s and really thinking about how do you make life insurance ten times better for the customer.

2:40

JIM: Now, you’re not a life insurance company; I know you’re in a firm that helps advise clients and how to make smart decisions with their money. These old stogies that run the life insurance companies, how can you make something that’s an old product from the 1850s better for a client. You’re just the person offering that product to their clients. What influence can you have?

03:03

LARRY: I don’t think life insurance 10 X is about making the product better. Most of the things that get the client materially better results have to do with the advice that they get from the advisor they’re talking to. For example we talk about five things but let’s take one: Correct ownership of the life insurance. If it’s not owned correctly and it’s included in your estate or you sell it to somebody and you have a transfer for value you completely destroy the tax benefits of the product. Getting great advice about how to own that policy could itself double the benefits that the client gets by having proper ownership.

03:44

JIM: That’s critical. You see that all the time. Not so long ago I was working with a client and they had set up some policies. They had an estate tax problem. Now probably most of our listeners don’t have to worry about estate taxes or state inheritance tax but if you’re in that situation where you might need to know that or be in a situation you might be looking at a policy that might be paying out several hundred thousand, maybe even several million dollars and our estate tax rate I believe is at 40% yet; is that right?

04:14

LARRY: That’s right.

04:15

JIM: So if we’re at 40% you end up paying 40% of that death benefit to taxes could easily be avoided by structuring ownership properly.

04:24

LARRY: All of that goes to the advice that you’re getting. Working with somebody who thinks about that, make sure that the client gets the tax free build up and the tax free death benefit is part of 10 X.

04:37

JIM: Now when I call 1-800-quote-me don’t they take care of all of that?

04:41

LARRY: Well, you get what you pay for. This is a complex product. I’ve said of all financial products the one that most needs ongoing advice and maintenance and monitoring is life insurance. You mentioned I took over a family business of 54 years of being in the life insurance business, not me but starting with my dad and something closing in on $55 billion of death benefits and you see on some of those where people don’t pay attention, don’t monitor it and the difference between great advice and no advice is huge.

05:17

JIM: That’s important. For those of you that are listening, where’s the best place to go; I mean the advisor that’s sending you this program is someone that you should be talking to on a regular basis and I know when the topic of life insurance comes up most clients kind of like they put the cross up and say stay away from me with those things; I don’t want to talk about that. Man, if you own life insurance or are looking to own life insurance making sure it’s set up properly is so important.

Let’s talk about some of the other things that are important as well. Ownership is one of them but may not affect all our listeners but I know one thing that I come across; I just had a client just yesterday that I met with and we had talked to them about updating their beneficiaries on it. She had a plan through work where there was no beneficiary which would create some problems. Can you comment on that?

06:04

LARRY: Yeah, let me just hit the overview of; I think there’s five broad categories that we outline in the book. We’re talking about one of the first one and that is what I call tax optimized ownership. That would also make sure the beneficiaries are right, that the policy is owned correctly and if you sell it in the future making sure that you don’t lose the taxation or gift it to the wrong people. Ongoing maintenance or looking at who owns it.

A second is choosing the right companies; a third is what we call underwriting advocacy but making sure that the customer gets the most favorable risk classification that results in lower cost; fourth is purposeful design. Life insurance really is a custom tailored product and somebody who has a lot of existing assets will structure their policy different than somebody who’s building an estate or the type of product or how it’s configured. The final item is ongoing monitoring, maintenance and management of that policy. Life insurance more than any other asset needs to be monitored and managed because things change at the company level. Interest rates have been coming down and that impacts the product but the customer might change the policy by skipping a premium or needing to borrow money and then that impacts how the policy works.

07:32

JIM: I know LIMRA did a study too about not so long ago about the cost of insurance coming down because people are living longer and I know when they did their survey they asked people what it cost for life insurance and the average answer was way off and it wasn’t way off thinking insurance was a lot less than it is; people have a tendency to think it’s a lot more than it is and as you were discussing looking at underwriting and things like that and with costs coming down, interest rates coming down, all those have impacts. It’s something that you don’t just buy and forget about. You should be reviewing it; how often would you say?

08:10

LARRY: Well, at our firm we review it every year. We’ve actually created a separately capitalized and staff policy management company that is now monitoring 2700 policies. So I think every year.

08:23

JIM: I agree with you. Any time there’s a change in financial circumstances too; you may not even wait until the end of the year to review your policies. If you all of a sudden take a new position at a new company and maybe that new company doesn’t offer the group insurance that your old company did and you’re getting paid more now the tendency is you spend up to your earnings and if you’re a main breadwinner for your family do you even have adequate coverage. What are some of the other things that you came across with your book that people should be looking at?

08:53

JIM: Again, it goes to these five things; is the policy tax optimized, is it owned in the right way, number one. Number two, is it the right company. We’ll come back and talk about that. Good companies that are providing ongoing value and committed to policy holders. Three is a purposeful designed based around that person’s specific goals. Four is underwriting, getting them the most favorable risk classification; and then five is this ongoing management. We really expand out; there are chapters on each of those things that talk about things that; you touched on cost and when a client says well what does life insurance cost it’s almost like saying what does a red car cost. We could have a red Prius and it gets really, really good gas mileage; we could have a big red passenger van that carries 18 people; we could have a red Ferrari that goes super, super fast or we could have a red Bentley that is ultra luxurious and I could make a case for any one of those vehicles being the right car depending on what the person’s goals are. They all perform differently and they do different things.

10:08

JIM: You know I know a lot of people too when they look at premiums they think premiums are cost. Premiums are contributions and there’s term insurance, there’s permanent insurance and I know if someone has a permanent policy which might be universal life, whole life, variable life. Premiums are what you put in the gas tank basically. I always tell clients if you go to the gas station just before you come to my office and fill up the tank and put $55 of fuel in it didn’t mean it cost you $55 to come here; that’s just what you contributed to your gas tank. Life insurance works a lot the same way. You talked earlier in the program about all the moving parts; that’s where it’s really important to have a good advisor that’s going to sit down with you, review all those things with you, make sure you kind of understand where that policy is going and how it fits and making sure your advisor understands what’s important to you so that policy is meeting your objectives correctly. There are so many different objectives, cost being one of them; what do you want this policy to do, is it death benefit only; is it going to provide disability benefits; is it going to provide living benefits, critical illness coverage, long-term care coverage and the list goes on and on. You see that don’t you?

11:18

LARRY: Oh absolutely. Being clear about what the policy is supposed to do; we can’t manage a policy without answering that and sometimes people say well I’ve got these 200 policies that we’d like you to manage. We say well we need to know what each of them is supposed to do first; that takes time to go back. Maybe these were sold 10 years ago but be clear about what it’s supposed to do because we can’t tell if it’s on track without knowing what the destination is.

11:43

JIM: Let’s take a short break and when we come back let’s continue this discussion as some of the factors people should be looking at when they’re maintaining their policies to get better results with what they have. Please stay tuned.

11:55

LARRY: Great.

11:56

JIM: Welcome back as we continue to visit with Larry Rybka. Is this your first book Larry?

12:01

LARRY: I wrote a really technical book, more of a textbook with Steve Weinberg, *My Settlements* but this is the first book that’s more for consumers and we wrote this with 12 of our existing firms.

12:14

JIM: Alright, that’s awesome. It’s called *Life Insurance 10 X*. For those of you that are familiar that stands for 10 times, how to get 10 times more out of something with a little bit of effort. Google talks about that. I know you work with, I think it’s Dan Sullivan, the strategic coach. He’s one that’s talked to a lot of people in the financial services and insurance industries about how to be more impactful with your clients. You started this whole conversation with life insurance is one of the most complex products that is out there. There are so many different moving parts and that doesn’t make it a bad thing; that just means you have tons of options in what you can do with this policy. I know one of the most recent innovations in life insurance; and it’s not that new anymore, it’s probably 10, 15 years old, is the accelerated death benefits that have come out. They started out with the terminal illness and more recently we’ve got critical illness and chronic illness and long-term care riders. Talk about a little bit how those fit into a person’s situation and how you get better results when understanding a person’s situation and how life insurance can be a fit and more than just a death benefit.

13:20

LARRY: Well Jim you’re really talking about living benefit, accelerated death benefit there is a market to sell life insurance on the secondary market; somebody is sick and they have a life expectancy of six, seven years they could sell it but a lot of companies said well rather than let people make a profit off of this how about if we just change our product and allow clients who have a limited time to live to receive their death benefit early. Most companies today offer an accelerated death benefit feature. Newer products have critical illness or long-term; some of them have a long-term care feature so that if the client needs long-term care coverage it’s combined with their death benefit and they get a portion of the benefits accelerated in a long-term care benefit. You don’t have to die to benefit from life insurance.

14:12

JIM: I look at it; I’ve come across a lot of this and I think with what you’re doing with providing that service for annual reviews a lot of people have policies that they might have taken out 20, 30 years ago before some of these benefits were made available. I know because people are living longer the cost of a lot of these policies have come down. We do policy reviews and if all it means is adding an accelerated death benefit to the policy and the premiums are the same it still can make a significant difference to a client and now more so than ever with the uncertainty of how Obamacare, the Affordable Care Act is going to affect people there are a lot of people that they’re very limited and restricted in which doctors they can go to and let’s say you have a terminal illness and your insurance won’t cover you out of network. Well if you have one of these policies you might be eligible to get a good chunk of that death benefit ahead of time and maybe now you have the resources to go to a Mayo Brothers or a Cleveland Clinic and see one of the top doctors and maybe find a solution to your problem. Doesn’t mean it’s going to happen but now you have options and I’m always a big believer the more options you have the better position you’re in.

15:21

LARRY: Or maybe if you need long-term care help you can have a much, much nicer facility if you have a couple hundred dollars a day coming from that benefit so it subsidizes a much more pleasant and comfortable final couple of years rather than have to go to a place with minimum features and benefits or maybe stay in your home.

15:44

JIM: Absolutely. I know most people if given the option would love to be able to stay in their home and I know many of those riders will cover long-term care whether it’s in the home or in a community based care facility. It’s really something to look at and if you’ve got an older policy that doesn’t include those benefits you’ve got to qualify. You talked about underwriting earlier so it may not be there for the asking but if you’re in a position where you’re in reasonably good health yet it’s something you should talk to your advisor about. If some of that might be available to you and it may not be meaning that you have to pay extra money to get something like that.

Now some other things that I’d like to drill down on, you talked about companies that are kind of committed to the business and things like that. How do you analyze a company? How do you look under the hood to determine companies that would provide what you feel is a fair value to the client?

16:34

LARRY: Well, two main things. One way we would measure that is are they selling new policies and trying to keep customers happy? Are they committed to the life insurance business? In the last couple of years we’ve had companies that were in the life insurance business and have essentially closed and handed off that block of business to private equity or other companies.

17:17

JIM: So you’ve got to be careful, you’ve got to look at what’s there. That’s one factor. Are there other factors?

17:24

LARRY: Well we always look at how much existing product of this type is a company selling. For example, whole life. There are five companies that sell I think the number is 58% of the whole life policies in the United States; all five of them have been in business for a very long time, have great reputations, they’re committed. Likewise with variable life. The top five companies sell 69% of the premium. They’ve all had products for 20 or more years. It’s a key part of what they do. I’ve likened it; I said if you go a great Mexican restaurant you don’t want to order sushi. It’s not just is this a good company, is this a company that has systems and enough volume with the product type in question that they’re likely to stay in that business.

18:12

JIM: I think that’s important. That’s again something that your advisor can help you make those determinations . . .

18:18

LARRY: Only, only a good advisor knows these things. You would have great difficulty in figuring this out online yourself.

18:25

JIM: Absolutely, well said. Again, you wrote this book, now you say it was a collaborative effort, right?

18:31

LARRY: Yes.

18:32

JIM: Who all collaborated with you for this book?

18:35

LARRY: We had 12 different firms that each did a chapter. We had a really strong editor who helped pull this together, saw the chapters are in the same format and with a similar voice rather than 12 essays on life insurance and people like Phil Haremond (SP?) wrote one of the chapters on working with other professionals. Tom Alexa from Chicago wrote a chapter on choosing the right companies. We had a group from Folcrom (SP?) who has corporate owned life insurance. They have 126 public companies that have purchased life insurance so they handled the chapter on corporate owned life insurance. Michael Dranoff (SP?) did a chapter on what to do with life insurance policies that have outlived their usefulness and what are your options if you have the policy to insure a partner and you’ve sold your business what are your options with that policy. We had some pretty wide ranging chapters on different topics and we’re real pleased with how this turned out.

19:36

JIM: That’s fantastic. You know as I said in the beginning you’re one of the people that I respect most in the industry and your knowledge goes way beyond what most people in the industry have because you’ve been a real student of this whole thing. Now you’re writing this book; you’re the authority; what did you learn from this project?

19:56

LARRY: That’s a great question. I think the one thing I am continually impressed with; it’s not what we know but what we can understand or what we can explain. It’s how to explain some of these things in more simple ways because if a client doesn’t understand something they’re less likely to take action. It really forced us to think about how to say things more simply. I think I was also just impressed by how much the business has changed. I think most life insurance agents started with a single company and it was easy to understand that company’s products. For those who want to offer multiple companies products we really have to become better students of how they work because there are substantial differences between products.

20:42

JIM: It’s always interesting to talk to you and I know the insurance industry we’re still not serving the public the way we need to and I don’t know if it’s all on our shoulders. I know the general public when you talk about life insurance people don’t like to talk about it. I remember one of our peers that I’ve known for a long time. He said Jim, do you ever have clients that tell you they don’t believe in life insurance. I said yeah, all the time. He says well what I tell them is great, that’s not a religion, you don’t need to believe in it; let me show you what it does. I see some people that say everybody should have term. I see other people that say everybody should have whole life or permanent life insurance and I know I’ve got a lot of clients who have both because there’s a purpose for each one of the policies that we put into place and it’s very specific to meeting very specific goals and objectives that those clients have and if you don’t customize the solution for yourselves and work with that professional that’s going to take the time to do that you’re not going to have good results because one thing’s for certain; someday we’re all going to check out of this life and what are we going to leave our families with, bills and debts or financial security? Life insurance is a way to bridge that gap to get them to financial security if something happens unexpected at the wrong time.

Any final thoughts Larry?

22:54

LARRY: I think you’ve really nailed it. It really is individual advice. One significant difference with life insurance and other types of insurance; if you think about you buy a home, the bank makes you buy homeowner’s insurance because they have a loan on that house that they want to be protected. You want to buy a car; the bank makes you buy car insurance, the State may too. If you get in a wreck and you have payments due on that they want to make sure they get paid. With our most valuable asset our future earnings power and our ability to provide for our family nobody makes you buy it. You can have a car that’s wrecked and buy a new one; a house could burn down and you can build a new one but if somebody dies and leaves a family unprotected it truly is catastrophic. That gets to the real purpose of what we do.

23:48

JIM: Thanks Larry, I appreciate you joining us and hopefully we inspired a couple of people to at least sit down with their advisor, review the policies that they have or don’t have; make sure that they’re making smart decisions about their money and their finances and work with that professional that’s providing the program and make sure that they’ve made an informed decision with the amount of life insurance that they have.

Again I just want to thank you Larry for joining us. The last thing I want to do, if someone wants a copy of the book how would you recommend they get ahold of that?

24:17

LARRY: They can buy it on Amazon but I’m also going to give you the first chapter free that you can post on the Real Wealth website.

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JIM: Alright, that’s awesome. Please take the time to look at it. I think it’s going to help you and your families and the people that you care about be more informed about making good choices. Thanks Larry.

24:35

LARRY: Thanks Jim.

KAYLA: Any life insurance guarantees or ratings are based on the claims-paying ability of the issuing life insurance company. Life insurance policies can have downsides and risks such as the fact that policy loans accumulate interest and if not repaid, could affect the longevity of the policy, impact the cash value, and decrease or terminate the death benefit. Life insurance premiums include commission fees and there are additional fees for riders.

The cost and availability of life insurance depends on such factors as age, health, and the type, and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable by having the policy approved prior to cancelling or changing an existing one.

Death benefits are subject to the claims paying ability of the issuing insurance company

Guarantees are subject to the claims paying ability of the issuing insurance company